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SOVIET UNION ECONOMIC AFFAIRS

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HIGHLIGHTS FROM PRESS CONFERENCE ON ECONOMIC REFORM

Moscow EKONOMICHESKAYA GAZETA in Russian No 34, Aug 87 pp 6-7

[Summary of statements at All-Union press conference by S. A. Sitaryan, first deputy chairman of the USSR Gosplan; B. N. Gavrilov, deputy chairman of the USSR State Committee for Labor and Social Problems; Yu. P. Boyev, first deputy chairman of the USSR Gosstat; L. I. Rozenova, deputy chairman of the USSR State Committee on Prices; L. A. Bibin, first deputy chairman of the USSR Gosstroy and member of the USSR Council of Ministers; and A. I. Iyevlev, first deputy chairman of the USSR State Agroindustrial Committee and member of the USSR Council of Ministers, under the rubric "The New Economic Mechanism": "On the Path of Radical Reform"; first two paragraphs are editorial introduction; passages in all capital letters printed in boldface]

[Text] Implementation of the decisions of the June (1987) Plenum of the CPSU Central Committee, which adopted a program of radical reform in economic management, is under way in the country. What are the problems that have been encountered on this path, and what steps are being undertaken to overcome them successfully?

The answers to these questions were given at an All-Union press conference organized by the board of the USSR Union of Journalists, the Moscow Organization of the Union of Journalists, and EKONOMICHESKAYA GAZETA. Today we are publishing a summary of the statements by administrators of the country's central economic organs and the construction and agroindustrial complexes.

TOWARD AN INTEGRAL SYSTEM OF MANAGEMENT

S. A. Sitaryan, first deputy chairman of the USSR Gosplan, noted in his address that the materials of the June (1987) Plenum of the CPSU Central Committee and the Eighth Session of the USSR Supreme Soviet provide a detailed and complete conception of an integral system for managing the country's economy in the current stage. For this reason, I would like to respond to the question of how these decisions are being carried out.

The first stage is the transition of all enterprises to the new conditions for economic cooperation, which must be completed by the end of the 12th Five-Year

Plan. In essence, this is the introduction of full cost accounting and self-financing.

It is necessary to point out that this shift will be carried out in different sectors and complexes in different ways, taking into account their specific nature and the practical conditions for functioning. For example, in the machine building complex, a model of standardized profit apportionment will be taken as the basis. However, in the electrical engineering industry, development of a model is being completed in accordance with cost accounting income. In the fuel and power engineering complex, a system of tonnage rates will be taken as the basis for developing enterprise funds at the expense of profit. This means that labor collectives receive a specific proportion of the profit for each ton of oil and each cubic meter of gas.

The principal task is to ensure that all the elements of full cost accounting and self-financing begin functioning as much as possible in the next 2 years. However, this is rather complicated; the transition is taking place under the conditions of a five-year plan which has already been shaped. Let us say we are introducing a new concept—the "state order." This has not been part of the five-year plan. For this reason, it is necessary to clearly define this category and determine its significance.

A task that is no less complicated is to work out a new interpretation for a category such as "scheduled figures." In their previous interpretation, these were directive indicators sent down from above to ministries and enterprises. Now they are economic reference points for developing a plan. What are these reference points? They are profit, foreign exchange receipts, commodity production, and so forth. Under the conditions when all these indicators (profit, labor productivity) have been consolidated in the five-year plan, we have to convert them on the move into indicators of a different class. This is a complicated and rather delicate process.

Finally, the problem of price setting is vitally important in the new economic mechanism. Wholesale prices will be changed by the beginning of the 13th Five-Year Plan. They do not meet current requirements, and do not reflect the concept of charges for resources, as an example.

It is customary to consider 6 percent an efficient rate to charge for funds. From the viewpoint of the Law on the State Enterprise, it can be put into effect tomorrow, if you like. However, it is pointless to do this. The point is that 13 percent of our enterprises are operating at a loss. Such mutual relations with the budget have been ruled out for them, as well as for the unprofitable enterprises, incidentally, and there are even more of them. If such a charge for productive capital is taken from them, there will be nothing left for their internal development.

We have had to begin differentiating the charge for funds. In the first stage--this year--it is quite broad. In the future, we are thinking of narrowing it down somewhat, making it like this: 2, 4, 6 and 8 percent. That is, even in a single sector and in single-product enterprises the charge will vary because of different conditions.

We have to introduce new payments: charges for manpower and natural resources. The first one will go into effect in 1988. An enterprise will transfer a sum to the budget for each worker which has been calculated in accordance with an established norm. But a differentiated approach is needed here as well.

The next complicated problem we are now coming across is in working out the economic quotas. This topic is attracting widespread attention both from economic managers and the public. We often have occasion to hear them say that the Gosplan has not turned in that direction, and that the quotas have turned out to be practically the same planning tools. I think we must explain what the point is here.

In calculating these quotas, we have had to "dance" away from the plan. But we also have not been able to break away from it completely in the current stage. What does this mean?

The enterprise is operating under conditions of an experiment on a wide scale. And it is already clear specifically how its funds for social and cultural expenditures, economic incentive, and production development may be acquired. In working out quotas, we naturally have departed from these figures. We cannot organize all the resources over again when they have already been incorporated in the plan in effect. So in our view, the initial principle of calculations is justified to a certain extent.

But it is really bad that there is a mechanical approach to this work by many ministries. On the other hand, where they have approached the work creatively, there are less cases of lack of coordination. I have in mind the USSR Ministry of Chemical and Petroleum Machine Building, let us say. The ministry's specialists suggested a charge for the funds and deductions for the budget in accordance with a graduated scale of profitability. Such a solution made it possible to avoid many difficulties.

There is also the problem of developing a standard for production development funds. What do we have to contend with here? It is common knowledge that previously the bulk of the capital investments for production and social development followed centralized channels. Now this proportion is being changed sharply in favor of noncentralized channels, that is, reconstruction and technical re-equipment will be carried out completely with the enterprises' assets.

A situation such as this often develops in practice. The national economy needs specific capacities developed, but this is unprofitable for an enterprise. It prefers to develop other capacities. They often ask us: what do we do here? We will look for a more flexible system of price setting and some sort of advantages. But a return to the directive methods has been ruled out completely.

WAGE REFORM

In his address, B. N. Gavrilov, deputy chairman of the USSR State Committee for Labor and Social Problems, discussed current policy in the field of wages in production sectors.

The principal tasks in improving wages were specified by the 27th CPSU Congress. First of all, it is necessary to overcome the wage leveling process. Secondly, to make wages dependent on the end results of work.

Wage reform has been worked out and we have begun to put it into practice at the present time. The new wage conditions which it introduces affect about 75 million workers. As of 1 June this year, 2,700 enterprises had been shifted over to them.

The basic provisions of the reform are an increase in wage rates and greater differentiation in them and the transferral of rights to enterprises to group according to wage rates, establish bonus payments, and make supplementary payments for work conditions.

The question arose during the course of preparing the reform: should we abandon wage rates? Practical experience shows that we should not. Rates are needed as the basis for evaluating labor skill.

The new wage rates are being increased significantly, by an average 20 to 25 percent. And by 45 to 50 percent for highly skilled workers engaged in introducing new technology. Increased rates are being introduced, for example, for tool makers and troubleshooters for high-precision equipment. In addition, an eight-category scale has been established for these workers, rather than a six-category scale. So the wage rate for a tool maker in the eighth category is 236 rubles.

Wage rates have been increased previously as well. It is sufficient to recall 1959, 1972 and 1975. At that time we added 70 to 80 percent of the funds needed from the budget, everyone was given the same pay raise, and these measures yielded no return or increased labor productivity. In this period, the increase in wages always exceeded the increase in labor productivity. Such an approach is intolerable under the new conditions.

What is new in today's solutions? What guarantees their effectiveness?

The conditions which form the basis of the wage reform enable it to be incorporated in an economic mechanism aimed at full cost accounting and self-financing, inasmuch as the increased wage rates are being introduced within the limits of assets earned by the enterprises themselves, first of all, and secondly, it has been firmly established that a wage increase should not exceed the increase in labor productivity.

We already have the first examples of how the ideology that has been adopted is beginning to prove its value. For example, the collective of the Kharkov "Serp i Molot" Motor Building Plant of the USSR Ministry of Tractor and

Agricultural Machine Building has shifted to the new wage conditions. At the same time, they introduced new production here which required 700 persons. Previously, the plant would have asked the ministry for additional manpower, decreased labor productivity, and acquired a supplementary wage fund.

Today they chose a different solution. They introduced new wage rates, released workers from production units in operation, and brought a new production unit up to strength. In addition, the plant undertook the task of raising labor productivity higher than the level set by the five-year plan.

Other examples of such experience may be given. They include Furniture Combine No 5 of the Moscow Gorispolkom, the Volga Motor Vehicle Plant, the Grodno Motor Transport Association, the Moscow "Geofizpribor" Association, and the Nizhnevartovskneft Administration. Excellent experience has been accumulated by the Belorussian Railroad, where 10 percent of the labor force, or 11,000 persons, have been released. In the oil drilling industry, about 600,000 persons have been shifted to the new wage conditions and 11 percent of the employees have been released.

Enterprises' rights are being extended significantly in the area of wage organization. Grouping of employees by wage rates in conformity with a single wage rate-skill handbook is now the prerogative of the enterprise itself. It is now the business of the enterprise itself to determine how to provide additional pay for working conditions.

When the enterprises acquired this right, they determined the difficulty and unhealthy conditions of the work at each work place by taking the dimensions of the sanepidstantsiya [sanitary and epidemiological center] there into account.

Such work has been begun, for example, at the ZIL [Moscow Motor Vehicle Plant imeni I. A. Likhachev], where 40,000 employees have been receiving supplementary payment in accordance with the wage scales for "hot" and difficult operations. Today the enterprise is reducing this number to 8,000.

Any restrictions on holding two jobs have been completely removed.

The enterprise also has the capability of establishing increments for high skill. It is therefore possible to pay well for highly skilled labor.

A new wage mechanism for specialists also is being introduced. The purpose of it is to link employees' wages with the specific results of their labor. This is being achieved by increasing the maximum amount of salaries, by establishing categories of specialists, and by coordinating the results of certification with wages.

The system for payment of bonuses also is being changed. To begin with, a shift is under way to collective forms of bonus payment. A bonus is earned by a brigade, a shop, or a department. Further, members of the collective divide the bonus as they wish. In the process, one may receive 80 percent and another one may receive nothing. This is the right of the brigade.

And this is how bonuses are paid to specialists. A department earns the bonus in accordance with its indicators, the ones which the enterprise considers necessary. Neither the State Committee for Labor and Social Problems nor the ministry has the right to establish any standard, basic or model provisions. The higher organization only determines the maximum amounts of the bonuses and the indicators for managers.

The amounts of the bonuses within a department collective are not restricted in any way; they are limited only by the funds actually earned by a subunit.

These are the basic features of current wage policy. We are trying for the first time to overcome the wage leveling factor. Its beneficial aspects must be shown, because on the whole, the work is extremely difficult. Those who have understood the nature of the new mechanism are making good use of it, but many are still waiting for the time being...

OVERCOMING SHORT SUPPLY

The new mechanism for material and technical supply is aimed at actively overcoming the shortage of resources. It is based on limiting outlays [protivozatrastnost], Yu. P. Boyev, first deputy chairman of the USSR Gosplan, emphasized in his address. The administrative methods of managing the supply and sale of products which prevail today and the strictly limited distribution of physical assets right down to the minor details are being replaced by wholesale trade. Enterprises now will be able to order materials through territorial organs of the USSR Gosplan.

For the time being, complex production equipment, part of the fuel and power resources, and certain other products of the most important types will be allocated in a centralized procedure as before. State orders will become the planning basis for such supply. It is being kept in mind at the same time that centralized allocation will be consistently reduced to the extent that the new economic mechanism is introduced.

The role of the organs of material and technical supply will be substantially increased with the shift to the new forms of organization. Economic methods are becoming the basis for their activity. Supply organs are being turned into intermediaries for enterprises, oriented toward fulfillment of contracts, that is, toward meeting consumers' orders in a timely manner, rather than toward gross indicators.

Experience in supply by means of wholesale trade demonstrates convincingly that in combination with the new conditions for economic operation it is one of the most important means of alleviating the supply shortage itself.

Material and technical resources valued at 10 million rubles are being distributed today by use of the new form. Four large agroindustrial complexes, scientific organizations, enterprises of the USSR Ministry of Construction, Road, and Municipal Machine Building, and construction ministries in Armenia and Estonia (about 10,000 enterprises and organizations altogether) have been shifted to wholesale trade. The number of them is not so high. However, positive results have been brought to light right away.

Persons have believed that they would be able to receive the needed resources at any time, and that it is not necessary to "shake them loose," to "obtain" them, to stockpile them. Contact between customer enterprises and local organs of material and technical supply has been improved. But the main thing is that the demand for resources which until now were often collected "for stock" has been reduced.

Planning and scientific research organizations in Belorussia have reduced their demand for materials by 15 percent. In Estonia, the volume of construction has been increased without increasing physical inputs. It is planned to increase construction volume by 5 percent next year, but the demand for resources remains at the level for last year. If enterprises which have not shifted to self-financing reduce their demand for resources, when they make the transition to the new management conditions the impact of wholesale trade will be even more perceptible.

Wholesale trade should become the basic form of material and technical supply in the next 4 or 5 years.

It may be organized in different ways. Departmental organs are involved in it together with Gossnab organs. For example, the USSR Gosagroprom and Goskomnefteprodukt [State Agroindustrial Committee and State Committee for the Supply of Petroleum Products] distribute resources through their own bases. Such distribution can also be organized within a republic, as it will be done in Estonia beginning in 1988.

The new method of distributing resources also compels suppliers to look for new methods of working with their partners and to discontinue drawing up all sorts of papers to the maximum extent possible. In the Mosglavsnab [Moscow Main Administration for Material and Technical Supply], for example, orders are taken over the telephone--an enterprise does not need to send any requisitions there.

All wholesale trade is now being oriented toward delivery schedules. Unfortunately, we are not always successful in adhering to them. For this reason, a period for filling an order has now been set--5 days. At the same time, the employees of supply organs have to provide for delivery of materials to the enterprise. In addition, when necessary it can make a priority order, which should be filled in 3 days. The system of economic incentive for suppliers is based precisely on promptness in filling orders.

In order for territorial supply organs to become reliable partners with enterprises, they should have normal working stocks and reserve stocks (strakhovyye zapasy) of resources. The lack of them frequently is the cause of today's delivery interruptions. Consequently, good warehouse facilities are necessary. Fully automated warehouses are being built locally. There are not enough of them at present, of course, but the number of modern warehouse facilities will be continuously increased. The USSR Gossnab intends to strictly adhere to this policy.

Restructuring in the supply of material and technical resources has demonstrated the need for changes in the structure of the Gosstab system itself. The development of wholesale trade involves decentralization of supply. In other words, it will be performed through territorial organs. However, supply organizations of differing subordination--ministries, ispolkoms of local soviets--still exist in localities. They are essentially duplicating each other's work. For this reason, it is now planned to unify them, which is already being done in some republics. All enterprises in a given region will do business with one territorial organ.

The work of the soyuzglavbyty [Main Sales Administrations] will be completely changed: they will discontinue distributing resources and working out assortments in detail. To make up for this they will have fundamentally new functions--the study of demand, and direct administration of resources.

RESTRUCTURING PRICE SETTING

The address by L. I. Rozenova, deputy chairman of the USSR State Committee on Prices, focused on fundamental changes in the policy of price setting for products used for production and technical purposes.

What do they consist of?

FIRST OF ALL, while inputs plus profit make up the formula for a price today, tomorrow the price will be based only on the consumption properties of equipment. Precisely such properties as productivity, materials consumption, economy, and reliability, expressed in economic gain, will determine price level.

How will this mechanism be implemented?

A common standard for allocating inputs to achieve a beneficial result is being established. The manufacturer receives 70 percent of the beneficial impact from improvement in consumption properties to compensate for his expenditures and to acquire a profit. And 30 percent is the guaranteed portion of the impact which will be passed to the consumer to ensure that the cost of equipment in operation is relatively lower.

The price is expense-limiting in nature precisely because the price will begin to compensate for expenditures only within the limits of improvement in consumption properties. In those cases where expenses exceed the increase in impact, the price will not compensate for them. This is the reason for unprofitable output and enterprises which operate at a loss. For example, the expenditures to manufacture the electronic ignition system for Moskvich and Zhiguli motor vehicles amount to 367 rubles. Throughout its service life it saves fuel valued at 50 rubles. The price will be set in accordance with improvement in consumption properties, meaning at the level of 50 rubles.

SECONDLY, a fundamental change is extension of the rights and responsibilities of both the consumer and the producer in price setting matters.

Today, centralized regulation of prices is combined with the specific rights of ministries and enterprises to fix them. So the enterprise approves the prices for experimental models, products for one-time orders, the additional payment and discounts for quality improvement, and changes in complete sets.

With the introduction of the Law on the Socialist Enterprise, it becomes possible to authorize contract prices for a 2-year period when new equipment is being adopted.

There are two points of view on the procedure for establishing these prices. One view holds that they have to be established in accordance with an agreement between the sides, without which there would be no regulation. Adherents of the other view, and they are in the majority, support the establishment of specific standards. I think that the second position is more correct, inasmuch as the dictates of the producer are limited in this case. The same standard as for distribution of the gain--70 percent for the manufacturer and 30 percent for the consumer--is recognized to be the most expedient.

Contract prices will be established primarily for equipment which has a direct consumer. For example, equipment such as looms only for light industry and agricultural machinery only for the agroproms [agroindustrial associations].

For multipurpose products such as machine tools, prices most likely will be established right away by direct inclusion in a pricelist.

The use of contract prices provides the opportunity to verify the actual quality of a product. At present, consumption properties are taken from standardized technical specifications. It is frequently revealed in checks that actual quality does not conform to established requirements. For example, this is what a check of the efficiency of presses at the Ivano-Frankovsk "Karpatspressmash" Plant revealed. Out of 54 presses, 40 did not work because of imperfections in their manufacture, and not one consumer filed his complaints.

Inasmuch as consumers previously purchased equipment through centralized sources, they regarded inoperative equipment calmly and used it inadequately. For example, inspection of robot use showed that they provided a gain of 12,000 rubles at the KamAZ [Kama Motor Vehicle Plant], but the same robots involved a financial loss of 3,000 rubles at the Moscow Jewelry Plant. And all because they were poorly utilized. With regard to the shift to self-financing, when equipment is paid for from funds that have been earned, the attitude toward it will change. The first examples of this already exist. It is common knowledge that agriculture has reduced its requisitions for agricultural equipment by 20 percent.

At the same time, 2-year contract prices will show how equipment is working and whether the consumption properties stipulated are being provided. In that way, when pricelist prices are approved, price setting organs will proceed from the actual performance of the equipment.

It is common knowledge that profit becomes the only source of enterprises' economic, technical and social development under the new conditions. It may be earned in two ways: either by increasing the efficiency of their production and reducing production cost on this basis, or by increasing the efficiency of public production through utilization of highly efficient equipment which meets world standards.

A third source also exists in practice--acquiring profit by raising prices. A manufacturer often raises prices for equipment, and the consumer who needs it signs reports on its impact that are obviously exaggerated.

Thus, the consumption properties of equipment produced by the Dnepropetrovsk plant of the Ministry of the Machine Tool and Tool Building Industry were improved by two times as much, but the prices for it increased 10 times as much. The price setting organs immobilized 2.5 million rubles of unearned profit in the budget in accordance with the inspection results. A case such as this is not an exception. Price setting organs are now lowering every third price.

The increases brought to light are being immobilized in the state budget. But this measure is obviously inadequate. A new procedure is being introduced for this reason. In addition to immobilization of illegal profit, the violator of state price discipline pays a fine of the same amount, that is, the sanctions are doubled.

Thus, toughening control over the correct establishment of prices and adherence to state discipline is the THIRD direction to improve price setting.

ECONOMIC METHODS OF CONSTRUCTION MANAGEMENT

Restructuring and improvement of the economic mechanism in construction is a very important process involving many plans. Over the past 2 years, a number of decrees have been adopted by the CPSU Central Committee and the USSR Council of Ministers which affect all aspects of the investment process and all its participants. The State Committee for Construction, to which the union construction ministries are subordinate, was established.

Work is being carried out to consolidate small construction organizations and to unify them. The establishment of planning and construction associations, which have been called upon to turn projects over to the customer "locked up," should be noted in particular here.

This is the organizational side of the matter. It is important, of course, but what is most fundamental is economic reform. And the new capital investments policy first of all. L. A. Bibin, deputy chairman of the USSR Gosstroy and member of the USSR Council of Ministers, noted that there was a turning point in the growth rates of capital investments in the 12th Five-Year Plan. While the growth rate was 41.2 percent in the Ninth Five-Year Plan, 27.5 percent in the 10th, and 17.5 percent in the 11th Five-Year Plan, it is 23.6 percent in the current plan. That is, the trend toward a decrease was changed.

Another characteristic feature is the increase in the proportion of production capital investments for renovation and re-equipment. While it was 38.5 percent in 1985, it will increase to 50 percent by 1990.

The priorities for capital investments have been changed as well. Capital is being invested first of all in the development of machine building, mainly such sectors as machine tool manufacturing, instrument building, and the electrical engineering industry. In the agroindustrial complex, provision has been made chiefly for the construction and modernization of enterprises for storing and processing agricultural products.

The shifting of enterprises to full cost accounting, self-financing and self-support is leading to a situation where the proportion of noncentralized sources of capital investment will continuously increase. The volume of construction financing will be more than doubled with capital from the production development fund, and with capital from the fund for social and cultural measures and housing construction, the volume will be doubled.

We have managed to overcome the "residual approach" in allocating capital investments for housing and social and cultural matters. Now the funds for these purposes are being allocated first of all.

A section of the economic reform that is no less important is the restructuring of the planning system. The primary requirement is strict adherence to the five-year plan, and the figures in it should be stable. Adjustments are possible, but only those which do not alter the overall five-year plan. Steps have been taken to ensure that the norms for the length of the construction period are strictly observed.

A distinctive principle in planning is the system of state orders for projects of the most important national economic significance. Construction organizations which build such projects will receive privileges which facilitate completion of operations most expeditiously.

The shift from indicators to stable economic norms is a feature of planning that should be emphasized. This year's plan has half the indicators that were in the plan for the previous year. To make up for this, norms for fund formation, deductions for the budget, and fund-forming standards for wages have been introduced.

Economic sanctions are also functioning at the same time. As an example, for being late in putting a project into operation, the customer (if he is at fault, of course) will pay a fine amounting to 3 percent of the value of the fixed capital that was not put into use. The bank will transfer this money to the budget. On the other hand, a contractor who turns a project over ahead of time will receive half of the additional profit formed for the customer for commissioning production capacities ahead of schedule.

All types of construction activity are being carried out on the basis of a contract agreement now. This is one of the elements for introducing the new economic mechanism. The USSR Council of Ministers adopted new rules for

contract agreements at the end of last year. They are based on such principles as reinforcement of cost accounting relationships between the customer and the contractor on the basis of contract prices, the immutability and stability of plans, and increased independence for the participants in construction when mutual obligations are established, taking specific conditions into account.

The central link in the restructuring in construction, as everywhere else, is the shifting of enterprises to full cost accounting and self-financing. Experience shows that this must be done at the level of the trust--the basic unit in construction--as well as at the level of the main administration and the republic ministry. In 1988 all organizations which are part of the USSR Gosstroy system will be shifted to full cost accounting and self-financing, and all the country's construction organizations will make the transition in 1989.

Results from the first 6 months attest to the fact that restructuring is yielding its first fruit in the construction complex. Labor productivity at USSR Gosstroy enterprises was increased by 5.3 percent during this period, and the introduction of fixed capital was increased by 6 percent. Organizations which shifted to a collective contract achieved the best results. Their labor productivity was increased by a minimum 10 to 15 percent. And it was increased by 20 percent in the Tomsk Construction Administration and the Daugavpils Trust. (Footnote) (A detailed account of the experience of the Daugavpils General Construction Trust is published on pp 17-19 of this issue of EKONOMICHESKAYA GAZETA.)

THE FUTURE IS FOR AGROFIRMS

Agrofirms and production systems are the future of the agroindustrial complex. A. I. Iyevlev, first deputy chairman of the USSR State Agroindustrial Committee and member of the USSR Council of Ministers, discussed the principles under which they operate.

Production systems unite the farms and the processing enterprises. This year a system such as this--"Sakhar"--was established in Cherkassy Oblast. The lead enterprise here is the sugar plant, and kolkhozes and sovkhoses act in the role of its partners. After all, in the final analysis the country needs sugar, not sugar beets (they are just the raw material). Here the state is ordering it from the production system. It has two indicators--the delivery of the sugar and the price for it. The receipts acquired are distributed in accordance with each partner's contribution to the end result. Thus far, losses in sugar production, including those caused by mismanagement, have been covered by the state. But under an approach in which collectives are accountable for the finished product, they will be vitally concerned about eliminating all possible losses, both on the fields and in processing the beets.

"Sakhar" production systems also are being established in the Karachayevo-Cherkess Autonomous Oblast and the Kiev and Belgorod Oblasts. At the same time, the Kiev and Belgorod versions were planned somewhat differently. There

it is headed by a kolkhoz. It must make arrangements with the plant to process its beets, and then sell the sugar obtained to the state. A sugar production indicator is being established for the kolkhoz.

Six agrofirmes have been established in the country, four of them in Latvia. What is the nature of an agrofirm? As a rule, it is formed on the basis of one of the leading sovkhoses or kolkhoses. The agrofirm invites partners under the contract principle, and the partnership is an undertaking that is particularly voluntary. The base farm assumes the obligation of passing on its advanced experience to the partners.

For example, the base kolhoz "Adazhi" of the Latvian "Adazhi" firm produces planting stock that has been sanitized on a nonviral basis for the seed-breeding plots of its partners. The kolkhoz specialists work out the technology for seed production and for a marketable potato in conformity with the natural conditions of other farms which form part of the agrofirm. The "Adazhi" Kolkhoz receives the potatoes from them, processes them in its plant and sells all products on behalf of the agrofirm. Exactly the same systems in "Adazhi" have been established for cultivating rape and breeding highly productive dairy cattle.

It should be stated that it is not coincidental that "Adazhi" became the base farm for the agrofirm. There are 2,000 head of cattle in the kolkhoz herd, and the milk yield from each cow averages 5,500 kilograms; yields of 7,000 kilograms have been obtained as well.

If the nucleus of the agrofirm is formed by a truly strong farm, it helps its weaker partners to catch up.

The Latvian Sovkhoz imeni 25th CPSU Congress became the leader in the agrofirm of the same name. The sovkhos is very strong and is very profitable. Its partners--a meat combine and canning and dairy plants--were quite underdeveloped both technically and economically. Soon after they became part of the agrofirm, renovation of them was begun with sovkhos funds. Everyone says they will be turned into the most up-to-date facilities in a year or two.

Agroindustrial combines are also being developed further in the country, basically not far from large industrial centers. They have their own firm stores in the cities and provide consumers with fresh produce. Results of the work of combines which already exist attest to their high efficiency, which is also confirmed by the numerous requests from localities concerning the establishment of new ones.

FROM THE EDITORIAL STAFF: There are a considerable number of letters in the editors' mail requesting a detailed explanation of how the shift to the new methods of management will take place in different sectors of the economy. Taking readers' wishes into consideration, the editorial staff intends to publish articles in forthcoming issues by the managers of central economic departments, prepared on the basis of their addresses at the press conference.

8936

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GOSPLAN ECONOMIST ON EXPECTED CHANGES IN FYP PLANNING

Moscow EKONOMICHESKAYA GAZETA in Russian No 14, Apr 87 p 7

[Article by B. Rayzberg, department head at Scientific-Research Institute of Economics of USSR Gosplan, professor: "The State Plan and Cost Accounting [khozraschet]"]

[Text] In the article entitled "Directive Planning and the Independence of Enterprises (Issue No. 4 of EKONOMICHESKAYA GAZETA for 1987), the basic tasks of the administrative reform were examined. The overall direction taken by the authors is obvious: the upper echelons of administration must be released from the tasks concerned with detailed address planning for the nomenclature and volumes of products produced, the distribution of all types of resources and the relationships of consumers to the producers. At the same time, conditions are being created for expanding the planning actions of primary elements, for converting over to economic administrative methods and for developing horizontal contacts and contractual relationships.

One must agree with the conclusion drawn by the authors that the possibilities for directive planning under modern conditions must be analyzed taking into account the tasks at all levels of economic administration. However, the recommendations for employing directive planning methods in those areas of production activity where they can be used informally are not specific in nature.

Ant there is still one other observation. A discussion concerning the methods for improving directive planning must necessarily include new developments which arose during restructuring of the economic mechanism, as required in the draft USSR law concerning a state enterprise (association).

Initial Steps

Although the changes in the system of centralized planning are not very great, their existence is beyond question. Changes have been introduced in the organization for developing the annual state plans for economic and social development. This has promoted more active participation by associations and enterprises in the formation of the national economic plan.

Changes have taken place in the schedules for commencing development of the annual plan within USSR Gosplan and this is providing a reserve of time for thorough preparation of the plan, for developing a large number of independently determined indicators and measures at the enterprise and association level and for coordinating the plan at the branch level. It is now possible for enterprises and associations to convert an economic contract into a means for developing and validating a plan and for forming economic relationships during the preparation of plans.

But such restructuring was applied to five-year planning to a considerably lesser degree. The participation of enterprises and associations in the formation of a state five-year plan has still not acquired a sufficiently active character. Extended direct relationships and contracts have not become an organic part of these plan projections.

Restructuring of the organization for five-year planning, taking into account the requirements for raising the role and independence of associations and enterprises, is clearly behind schedule. This is inhibiting a solution for such an important problem as improving the coordination of annual and five-year plans. And indeed the five-year plans are the principal and decisive form for national economic planning at all levels. We can also cite some organizational imperfections in the development of five-year plans. During past five-year periods, they were constantly approved and made available to the executive agents on a considerable tardy basis.

In annual planning at the national economic level, the practice of planning based upon that "already achieved" has been overcome to a certain degree. One shortcoming of this system is the fact that the expected level of plan fulfillment during the current year is used as the computational base when preparing the plan for the following year. As a result, three types of annual plan have appeared which differ in terms of their indicators. This includes an annual breakdown for a five-year plan that has been approved and is recognized by law, thereafter a lower annual plan compared to the latter and, finally, a corrected annual plan which, during the course of its implementation, was made to conform with the actual existing level. Such corrected, or more correctly, adjusted plans are used for reports, for summarizing results and for material and moral incentives. Corrections cause great harm to planning discipline and they lead to indifference and complacency.

When developing the state plan for 1987, USSR Gosplan, as the base for readings, used indicators for the plan approved for 1986. The tasks derived from the five-year plan regardless of the deviations from true fulfillment to one side or the other. Such an approach places enterprises and branches which failed to fulfill their annual plan in a special status.

Among the changes in methods and in organizing centralized planning, it bears mentioning that economic norms for wages, the distribution of profits and the formation of economic incentive funds have been approved within the structure for the state annual plans for 1986 and 1987 and for the 12th Five-Year Plan. They have been made available to a number of ministries, associations and enterprises.

This has provided the basis for the formation of a new economic mechanism on a planned basis. An important step has been taken along the path to converting over to economic administrative methods at all levels and to replacing the directive establishment "from above" of numerous volume indicators by planned action, with the aid of centrally established norms which direct the financial-credit and commodity-money relationships in behalf of the plan. The number of directly approved indicators in the state plan for 1987 has been reduced practically by twofold compared to the 1986 plan.

Where Is the Watershed?

What will be the nature of further restructuring of centralized planning? The existence of the concept of administrative reform is still not providing an answer to the question concerning specific changes in centralized planning. For example, what changes should be introduced into the structure for state plans or into the plan indicators? What changes are taking place in the distribution of planning functions at the various levels of economic management and between the branch and territorial organs? What is the best method for organizing the development of plans and controlling their implementation and the structure of planning organs and their interaction with other administrative organs? The economic science, in collaboration with planning practice, must still find answers to these questions.

The following question must be clarified first of all: where is the watershed between the sphere of activity of centralized directive planning and administration based upon economic incentives? Which plan indicators are subject to continuous address establishment vertically from USSR Gosplan to the primary element and which must be determined at the branch and regional levels and at the level of enterprises and associations?

Obviously, a division of the zones of influence for directive management and economic independence and responsibility is not absolute in nature. Here it is important to take into account the peculiarities of the various branches and the tasks of social production.

The centralization of plan management must obviously take place in conformity with the sphere of all-state and national interests associated with the existence and vital activities of society on the whole. Centralized planning is need first of all when establishing the rates and proportions for economic and social development. It is important when determining the branch and regional structure for production, social, scientific-technical and investment policy, the strategy for the distribution of productive forces, measures for protecting the environment and the trends for foreign economic relationships. A need also exists for centralized planning influence on production efficiency and on the technical level and quality of the products and services.

Studies carried out at USSR Gosplan's NIEI have shown that it is sufficient to establish roughly 350 consolidated indicators in the state five-year plan for the production volumes of the more important nomenclatures for products and services. In this regard, roughly 150 summary indicators describing the social goals, rates of development and principal national economic proportions

must be determined on a centralized basis. This creates a basic opportunity for narrowing the range of plan indicators approved by the central organs. The prerequisites for the independent adoption of plan solutions at lower administrative levels are expanded. Where is it desirable to have continuous directive and address planning for the production volumes of specific types of products in a natural-material expression? It should obviously be retained for definite types of means of production and consumer goods, the output of branches of the fuel-energy complex and for export products based upon inter-state agreements. At the union and republic levels, a requirement will also exist for developing plans for the construction of new and large installations in the production sphere and for developing an infrastructure in regions of new development and housing construction using centralized capital investments.

The mentioned indicators and tasks form the basis for a state order, which together with the rates and proportions for development, social indicators, indicators for the development of investment and foreign-economic complexes, production efficiency, a system for centrally approved economic norms and distribution of resources, constitutes an all-state plan.

A special object of directive and address planning is that of basically new equipment and a technology for multiple-branch use of all-state importance. Ideally, USSR Gosplan and the State Committee for Science and Engineering, together with the USSR Academy of Sciences and the higher school should develop program-orders for the mastering of such equipment and technology within the structure of the five-year plan and based upon the all-round programs for scientific-technical progress in our country and CEMA member states. The state plan must call for centralized tasks for the research, planning-design and production organizations in connection with the creation, production and use in the national economy of basically new equipment. It should be ensured first of all by centrally distributed resources. These conditions have something in common with the recommendations by the authors of the article entitled "Directive Planning and the Independence of Enterprises."

In the sphere of centralized planning at the union and union-republic levels, we encounter such basic problems as development of the fundamental science, education, culture, public health, public transport and communications, trade, public catering, domestic services and social security. This does not exclude the functioning of organizations of this profile on a cost accounting basis.

The Role of Economic Norms.

In branches, sub-branches, at installations of regional administration and in organizations of the production and non-production sphere, independence in the formation of plans can be developed only if the managerial conditions formed on a centralized basis are observed. The starting points here -- national economic reference points developed by the central planning organs, inter-ministerial contracts and agreements, trade requisitions, delivery agreements and contracts between producers and consumers. As the wholesale trade in means of production develops further, the requisitions of USSR Gosplan for deliveries to trade bases will become the source for the formation of plans at the ministerial, association and enterprise levels.

Such planning organization by no means is meant to imply a weakening of the centralized basis for planning. In the case of an unjustified rejection by a producer of a consumer requisition, the center reserves the right to impel the producer to conclude a contract based upon social requirements.

A powerful channel for centralized planning influence is that of establishing the rules for economic behavior and the conditions for economic work by primary elements.

The approval in the state plan of existing economic norms of long duration is a new form of centralized planning and one which does not paralyze independence, initiative or enterprise by the principal element of the economy and which makes it possible to regulate effectively production, distribution and consumption from a single center. This is one of the leading trends for raising the efficiency of centralized planning.

Economic norms of a distribution nature are already being supplied to enterprises through the state plan. The wholesale prices for the principal types of products or the rules for establishing prices (which must not hinder the formation of a number of prices on a contractual basis), norms and wage rates, bank interest rates and penalties must become an object of centralized five-year planning. This will facilitate and accelerate a conversion over to self-support among enterprises and to its most complete form -- self-financing and it will provide greater opportunities for the use of commodity-money relationships.

Methods for Achieving Balance

I would like to single out still another problem concerned with combining centralized planning with growth in the independence of enterprises, a problem that has not been discussed adequately. How is it possible to coordinate the centralized establishment of rates of growth and the structure of social production with an independent determination of those local plan indicators that affect the national economic proportions. How is it possible to proceed without violating balance and proportionality in the plan as a whole?

It appears that the coordination of plans both vertically and horizontally can be achieved through changes in the methods and in organizing centralized planning and the process employed for developing the five-year and annual plans.

In the most general terms, the system for developing the state plan is pictured as follows. The initial point is the concept that has formed concerning economic and social development. The system of mutually coordinated indicators for a five-year (annual) plan in a preliminary consolidated form is determined taking into account its central planning organs and based upon computations of the national economic balance and normative computations of the all-round state programs. From these, the directive indicators are singled out for reporting to the ministries, associations and enterprises in the form of control figures.

The state tasks for the final result of production activity, data on centrally allocated and distributed resources and the economic norms must be supplied in the control figures. Some other indicators must also be supplied, but in the form of accounting or reference indicators.

Ministries, departments and regional administrative organs, based upon control figures and taking into account inter-ministry agreements, define a limited number of indicators and tasks to be made available to enterprises and associations as initial directive aims. The carrying out of these tasks can be regulated by vertical contracts between an enterprise and a higher organ and this raises their mutual responsibility for the validity and fulfillment of the plan.

Based upon directive control figures and taking into account the computed reference points, the ministries, enterprises and associations form the preliminary variants for their plans, supplementing the centralized aims with their own decisions as derived from contracts, requisitions, production tasks and technical re-equipping and modernization. These variants reach the central planning organs and are checked for the coordination of decisions, for overall balance and for conformity to the general concept of the plan. If required, the center introduces changes into the planning decisions proposed "from below."

Certainly, this system requires more specific definition and detailing, with consideration being given to the peculiarities involved in the development and approval of five-year and annual plans, to the specifics of individual branches and to interaction between the territorial and branch sections of the plan.

7026

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SHORTFALLS IN NEW WHOLESALE TRADE SYSTEM REVEALED

Moscow MATERIALNO-TEKHNICHESKOYE SNABZHENIYE in Russian No 7, Jul 87
pp 9-14

[Article by S. Anisimov, Moscow: "The Lessons of Wholesale Trade"]

[Text] The consistency and persistence with which the party is pursuing the strategic course and exploring specific ways of accelerating the country's socioeconomic development demand that each of us concentrate maximum efforts toward achieving high results in the particular area of work assigned him. The foundation of restructuring is now being laid, and the transition is being made from ideas and experiments to widespread application of the new methods of economic activity, to staging an uncompromising fight for quality, for attainment of a level of production that meets the requirements of scientific-technical progress and the best world examples of industrial products. A most important role in this process is being given to the sphere of material and technical supply of the sectors of the economy.

I

All industrial ministries have converted to the new operating conditions beginning in 1987. When the plan was being shaped, it was based on long-term stable economic standards, which backed up the course of expanding the economic independence of associations and enterprises and of developing the initiative of work collectives. Today they have become able not in words, but in deeds, to independently dispose of the resources they have earned. The idea of full cost accounting (khozyaystvennyy raschet) is still undergoing profound development. Along with individual enterprises, this year five industrial ministries have made the transition to operating under the conditions of self-support and self-financing. Many of them have won the right to go onto the foreign market. The necessary conditions have been created for increasing the output and delivery of products for export. A substantial portion of the proceeds obtained from exports will remain with enterprises to purchase the necessary imported means of production.

The course adopted toward strengthening economic methods of management, broad use of full cost accounting and self-financing, expansion of democratic foundations and the development of self-management as the

principal line of strategy in the process of restructuring the economic mechanism has been reinforced in the Law on the State Enterprise (Association).

The new conditions of economic activity urgently dictate the need for further improvement of the entire system for the supply of materials and equipment. The reliability of the supply of materials to production and construction and flexibility of the supply system--those are the very factors which must help the economy to operate steadily and at an even pace. That is why it is no accident that in the process of the transition to the new operating conditions in all branches of industry the demand was made beginning this very year for 100-percent fulfillment of obligations for product deliveries according to contracts concluded. All preferential rates of interest are withdrawn if delivery deadlines are not met. Contract performance has become one of the most important success indicators not only in industry, but also in capital construction and other sectors of the economy. In the restructuring of material and technical supply a particular place is being given to development of the wholesale trade in products for production and technical purposes. The need for its widespread introduction was pointed out in the documents of the 27th party congress. Which is natural, since it is this form of supply that must in its conception impart the necessary flexibility to the entire system. This was in fact assumed when its rates of development were projected.

As is well known, beginning in 1987 more than 10,000 enterprises and organizations were converted to the progressive form of supply. By the end of the 5-year planning period wholesale trade is to embrace about 60,000 consumers, and by the year 1992 it is to have been transformed into the principal form of the supply of materials and equipment.

As you see, the rates of its development are extremely high. At this point we have very little experience in organizing operation in the situation where consumers are to be furnished physical resources without allocated stocks or ceilings. It is because of this natural deficiency that we must analyze quite frequently progress in its development so as to correct the shortcomings that exist as rapidly as possible and develop what is going well, concerning ourselves above all with the qualitative rather than the quantitative aspect.

One of the important shortcomings for which the present system of supply is rightly criticized is its stiffness and unresponsiveness. Some 8-10 months pass between the time an enterprise submits a request for material resources and the time when it receives them. The present system of rigid allocation of stocks is unjustifiably cumbersome. An enterprise must deal with various ministries, departments, and planning agencies, depending upon the list of products. Even concerning those resources allocated to them from year to year and moreover in almost exactly the same amounts, the enterprise is forced to issue requests in good time for allocated stocks, to submit numerous computations and substantiations. All of this inevitably gives rise to an immense flow of documents which many specialists spend their time writing.

The practice of writing requests in advance, when production plans are still not known, the unreliability of deliveries, and fear of a shortage quite often drive consumers to artificially hike up their need and to create large reserve stocks which ultimately become superfluous and above-allowance inventories. The conditions of rigid centralization make it more difficult to solve the problems that arise in practice, since any change in allocations has to be cleared with the superior organization, and that clearance sometimes takes weeks and months.

The transition of consumers to supply through wholesale trade makes it possible to eliminate many evils. The basic idea of wholesale trade as it is now understood presupposes that consumers will no longer be allocated stocks and ceilings, that is, there will no longer be rigid regimentation in the supply of physical resources.

In the context of wholesale trade the consumer is freed from submitting requests for physical resources in advance, indeed many months in advance. This eliminates the "paper merry-go-round" involved in the allocation of stocks down to the enterprise level. Regional authorities determine the need of particular consumers for physical resources. This need is determined on the basis of an analysis of the volume, dynamic behavior, and structure of the actual consumption of resources over a number of previous years, and at the same time a forecast is made of the need so as to take into account the planned growth rates of production, the change in the product mix, and the inventories of consumers and in the depots of regional administrations.

This approach essentially changes the character of the work done by regional authorities. Now they are required to concern themselves not merely with managing the allocated stocks, but of thoroughly studying the need, of solving in a comprehensive way the problems of full support of plans for production and construction of the enterprises converted to supply through wholesale trade. This qualitatively new aspect of their activity enhances the role and responsibility of the agencies of USSR Gosnab, including the soyuzglavsnabsbys, which are required to allocate the full volume of resources for wholesale trade. Here again an attitude imbued with state spirit must be taken toward the new form of supply by sectoral ministries, which are required to achieve a radical improvement of the practice of working out standard rates of consumption of physical resources and of monitoring the drop in the materials intensiveness of the products produced. Ultimately this economic policy and practice will bring a great benefit for the departments themselves, guaranteeing that all sectors of the economy operate at a steady and even pace.

II

The principles of wholesale trade require a radical change in performance of functions in the delivery of products. Regional authorities are required under these conditions to do everything necessary so that the resources requested are delivered to the consumer

in their full amount, strictly by the appointed date, and in the assortment ordered. These requirements are extremely important, since it is precisely strict observance of contracts concerning supply of the necessary resources to consumers that makes it possible to substantially reduce the material stocks they possess and create the prerequisite for enterprises to operate at an even pace.

Wholesale trade is essentially that "touchstone" with which it is possible to check the preparedness of planning and supply agencies for work in the new way, orienting themselves toward the enterprise and its needs. In that context, as they say, the work of personnel at all levels, their ability to solve problems in a state spirit, is put under a spotlight.

If today we look at the first results of work under the new conditions, it can be said that wholesale trade has provided its first lessons, and we will hope that they will be instructive. So far, unfortunately, supply agencies still have not been able to cope with the tasks they have been made responsible for. An analysis shows that the main task of personnel in regional agencies and soyuzglavsnabsbyts is to gain the most profound awareness of their responsibility for the material and technical support of production collectives, for which there is nowhere a better solution to the problems of supply than in USSR Gosnab. A radical psychological restructuring is needed to understand this. In their current and forward-looking work specialists of USSR Gosnab must be guided by the requirement that every unsolved problem can cause a shutdown of equipment and failure to fulfill a production plan.

In practice supply agencies, especially at the local level, still treat the requests of customers as a formality. They are working in the old way, "in retreat." Instead of seeking out resources and meeting consumers' needs, the advocates of methods which have outlived their usefulness concern themselves with finding arguments to prove that the materials are not needed in the volume or assortment requested. Moreover, this is not done on the basis of engineering computations, but sometimes without objective basis.

Instead of efficiently meeting the requirements of the Regulation on Wholesale Trade supply and sales agencies try to avoid them, to set the consumer conditions of various kinds and thereby to relieve themselves of responsibility for supply. For instance, upon receiving orders for 1987 many regional agencies forced enterprises to confirm the requirement for physical resources on the basis of allocations of stocks in the past and they requested balance sheets on past use (ispolnitelnyye balansy) and various kinds of computations even in cases when the need has remained unchanged. Enterprises and organizations have as a consequence been forced to spend a great deal of time writing up documents and submitting masses of figures in order to prove that they actually need the resources to fulfill the production plan. Yet the document has established specific dates for submitting orders. It is specifically provided that in the case of warehouse deliveries the

consumer must submit the order no later than 30 days before beginning of the delivery period, and in the case of transit supply it is to be guided by the dates fixed for submitting specifications in accordance with the special conditions for product deliveries. Within 15 days the supply and sales organization must give notice of agreeing to fill the order.

This procedure looks to making material and technical supply more responsive and flexible. At the same time it places responsibility on regional agencies for filling orders promptly. Nevertheless, there are regular failures to meet this requirement. As in the past the consumer is compelled to submit specifications for the resources required 4-5 or more months before beginning of the delivery period.

In violation of procedure supply and sales organizations do not always note down the date the orders are received, they are not prompt in informing consumers that they will fill their orders. Moreover, in a number of cases specifications have been returned without being filled 3-4 months later, without any sort of justification. The Dimitrov Excavator Plant, for example, submitted requests to Mosglavsnab for physical resources to cover 6-7 months up to the beginning of 1987, but by the end of November 1986 it had received information of assignment to suppliers for only 40 percent of the resources. In December many of the specifications were returned to it without being filled, including almost half of those for pipe. The plant was placed in an extremely difficult position, and it was only the responsive action taken by Soyuzglavtrubsnabsbyt that prevented the enterprise from shutting down. Nor are such cases isolated.

The situation is still worse where there has been a growth of the requirement or when additional needs for material and technical resources have arisen in the process of operation. Settlement of the business drags on unjustifiably even in cases when the enterprise's order has been confirmed by computations. The delay or refusal to allocate resources are explained either by the fact that USSR Gosplan did not fully allocate resources to USSR Gosnab, or by a reference to the general shortage of resources. For example, the production plan of the Machinebuilding Plant imeni Kalinin of USSR Minstroydormash was increased for 1987, and a number of items related to supply were unfulfilled even in February, including indispensable electric motors. The problems of supplying the plants of this ministry paints and varnishes have been dealt with poorly, although the need for them sharply increased in connection with the higher requirements as to the quality of painting.

III

The situation in supplying resources to customers in nontransit amounts is extremely unsatisfactory. Nor is this confined to enterprises converted to supply through wholesale trade. This problem, which is by no means new, has great state importance and concerns all consumers.

Accordingly, USSR Gosplan has adopted a special decree and worked out the Procedure for Organizing Delivery of Products in Nontransit Amounts. Regional authorities have been assigned the duty of taking the necessary steps guaranteeing efficient organization of delivery of products to consumers in small lots, of making efficient use of their storage space, and if necessary leasing storage space belonging to industrial enterprises. The transition to supply of products to consumers in amounts smaller than carlots and container lots through enterprises for product deliveries of USSR Gosplan must be completed during 1987 and 1988.

In spite of the obvious clarity of the problem and its importance, implementation of the decisions taken is going slowly. So that they do not have to waste time with small lots, supply and sales agencies are still forcing consumers to consolidate their requests so that they meet the standards for transit delivery, thereby hiking up the need and forming unnecessary inventories. The building up of orders within regions is not receiving the attention it deserves in a great many places, work with consumers to standardize the products they order has been completely neglected, and that is why the sorting out of small lots among regions has not been established. At many depots physical resources are kept in an extremely unsatisfactory condition. There is excessive sorting and misgrading and materials spoil, which is altogether intolerable in view of the broad campaign being waged for the quality of products produced at industrial enterprises. Everywhere depots are overloaded with products involved in what are called "special-purpose deliveries," while at the same time they lack the space inside and out to develop the warehouse form of supply.

A study of the practical experience of plants of USSR Minmash in Moscow and Moscow Oblast has shown that every enterprise has acutely felt the shortcomings enumerated above even when it is being supplied through wholesale trade.

For instance, VNIImash (Ivanteyevka) ordered six different types and sizes of O9G2S low-alloy steel in the different sheet thicknesses if needed--2 or 3 tons of each. Mosglavsnab agreed to fill orders for only three of the items. Because the lots were too small for transit, the supply of 18 rolled pipe items was also refused the same institute. A similar situation occurred at the Dimitrov Excavator Plant, which was not allocated pipe because quantities were too small for transit delivery. And only when the enterprise hiked up the need was the delivery arranged directly through its assignment to a manufacturing plant. There are many such examples.

The situation with the supply of enterprises in small lots is also made more difficult in the context of wholesale trade by the fact that they are prohibited from exchanging resources if the trading partner is located in another region. At the same time regional administrations have not been performing the functions assigned to them in organizing close ties with neighbors and in solving the problems of mutual exchange and the detailed sorting of products.

Quite often the following situation is encountered. The consumer's request for supply has been rejected, which puts the burden of worry on him. The last thing which supply and sales agencies are worried about is how the enterprise is going to fulfill its production plan. Again at their assistance a higher requirement for resources is adopted, and they do not think what will happen to the surpluses. That is, many people have yet to undergo psychological restructuring and to feel what an important they have been given in supply and sales activity.

There are serious shortcomings in the work to fill the orders that have been accepted and contract obligations that have been assumed. In a number of cases there are delays for a number of reasons in the writing up of shipping documents so that the resources can be released from the depots. At the beginning of this year this factor becomes a real scourge for consumers. Since documents are not drawn up for 2 or 3 weeks, the products are, of course, not released. Since the traditional inventory being taken at the depots, everyone is busy preparing various kinds of report documents, both necessary and unnecessary.

There are cases of inaccurate filling of orders, when the consumer does not receive at all what he needs, as, for example, happened to the "Konditsioner" Plant of USSR Minstroydormash. The personnel of the Karacharovo depot in Moscow shipped pipe to that enterprise whose wall was considerably thicker than required. Finding itself at a dead end, "Konditsioner" was forced to use that pipe and convert a sizable quantity of metal to shavings. Instead of steel sheet 4-6 mm thick the depot sent that same plant 120 tons of steel strip 8 mm thick, which, since there was no use for it, sat in the warehouse. The "Kompessor" Plant of USSR Minkhimneftemash sent out its truck six times for calibrated steel and every time was given metal that did not meet its request because of stock being graded under the wrong heading, and this was discovered by internal plant inspection.

The situation with centralized delivery of shipments to consumers is not good. If we look at the report data, then for USSR Gossnab as a whole the indicator is sufficiently high and amounts to about 72 percent. It would seem that at that level of centralized supply of shipments under mutually adjusted schedules there should be no particular work at those enterprises which have been converted to supply on the basis of wholesale trade. But in practice delivery contracts are not being performed, supply agencies are essentially not being made responsible for failure to make deliveries.

Consumers at a great distance from delivery enterprises in their own regional administration and supplied from depots of a neighboring region have turned out to be in a particularly difficult situation. They are accorded the treatment of "stepchildren," as is confirmed by the example of consumers located right near Moscow. Located at a distance of 200-300 km from the suppliers of their own region and within the limits of 100 km from Moscow, these consumers have been assigned to Moscow depots for many resources. In economic terms this is unconditionally the right solution.

The only trouble is that contracts are not being concluded with them for centralized delivery of shipments. Enterprises are forced to become involved in carrying the shipments themselves. Moreover, the trucks sent to Moscow stand idle at supply and sales enterprises waiting 8 or 10 hours until finally the people there get around to preparing the materials and loading them. It is not uncommon for them to go back empty without waiting. In 1986, for example, this kind of independent transportation amounted to 179,000 tons, which means that about 30,000 trucks were used at extremely low efficiency. Which is to say that all the enterprises converted to wholesale trade have not avoided being treated as orphans.

The optimum solution has not yet been found for the problem of supplying material resources to consumers supplied through wholesale trade on the basis of transit deliveries. In this case the responsibility of suppliers still remains amorphous and shaky. They have not been set the task of unconditional fulfillment of delivery contracts. The interruptions in the operation of industry in the 1st quarter have shown that the orders of enterprises converted to wholesale trade were filled just as poorly as the others.

Regional agencies and soyuzglavsnabsbyts have in turn not been able to provide the necessary assistance to consumers and have forced enterprises to send their own "pushers" to the supplier plants. For example, in the 1st quarter representatives of the Krasnogorsk Production Association "Stromoborudovaniye" spent a long time in Kharkov speeding up delivery of bearings. Consumers have sent their representatives for the same purpose to the Cherepovets, Kommunarsk, Krivoy Rog, and other metallurgical plants which had failed to fill orders. Of course, the interruptions of deliveries can be explained to a certain extent by the unsatisfactory operation of a number of branches. USSR Minchermet alone was short almost 1 million tons of rolled products in meeting orders in the 1st quarter, although the overall plan was fulfilled.

But neither have agencies of USSR Gosstab done everything to make supply more steady. The lack of the necessary stocks makes it impossible to provide effective assistance to consumers when transit deliveries do not come through. Many people spoke about this with concern in the collegium of USSR Gosstab which took up the results of supply of enterprises of USSR Ministroydormash. They gave the specific example of stocks being below the required level at Mosglavsnab for 163 products out of the 300 product designations recorded through the computer center. At enterprises receiving deliveries through this administration the inventory of finished rolled products of ferrous metals was 70 percent of the established standard, including 53 percent for girders and "levelers" (niveliry), 43 percent for plate, and 31 percent for quality machine steel. There are similar examples in other regional agencies as well.

IV

An important place has been given in the context of wholesale trade to conclusion of contracts for material and technical supply. However, in many regional agencies this effort is being treated as a formality. Quite often what happens in essence is that the model contract is merely copied. There is no detailed fixing of delivery dates, amounts, and types of services, conditions for delivery of shipments, nor the size of optimum stocks of physical resources. Nor are other requirements being met which play an important role in supply activity. Questions concerning liability of the parties for failure to perform contract obligations have not been reflected as they should have been, and in a number of cases the extent of liability was even set lower than indicated in the Regulation on Deliveries of Products for Production and Technical Purposes. Sometimes the loss resulting from the breach of the contract is not even reimbursed in spite of what is said about this degree of liability in the Regulation on Wholesale Trade.

Shortcomings have not been overcome in the organizational structure of management that has been set up. Wholesale trade departments in a number of main regional administrations are largely duplicating the effort of the specialized subdivisions, quite often they make uncoordinated decisions which then have an impact on consumers, who are forced to spend a great deal of time solving problems related to allocation of the physical resources they need.

The new main administration Soyuzglavsnaborg, created under USSR Gosplan with the functions accorded it by the Regulation on Wholesale Trade, has begun its activity unhappily. It will be borne in mind that this agency has been ordered to summarize the requirement for material resources submitted by regional agencies, including those of the product list of the state plan and of USSR Gosplan, and are seeing that stocks are allocated in USSR Gosplan to USSR Gosplan to meet the needs of wholesale trade. The resulting situation is that intersector administrations of the central apparatus and soyuzglavsnabsbyts have ended up out of touch with their proper work. And this has been having an adverse effect on the qualitative aspect of supply.

In a number of cases Soyuzglavsnaborg has been unable to prove to USSR Gosplan the need for resources for wholesale trade and has not managed to get them allocated in sufficient quantities. Administrations of USSR Gosplan and soyuzglavsnabsbyts, which have ceased to look upon these matters as their business, have taken a passive position and have not been helping Soyuzglavsnaborg, thereby assuming the role of observers.

At the same time the intersector administrations and soyuzglavsnabsbyts could in view of their position have a considerable impact on the shaping of physical balances for the products planned by USSR Gosplan, and they themselves must unconditionally allocate to regional authorities the resources in the necessary amounts for wholesale trade, establishing here closer economic ties with ministries. Unless the need

is fully met, it is impossible to achieve the benefit of reducing requests for material and technical resources.

Among the important organizational oversights we should include the fact that during the period of preparation for wholesale trade the important question of monitoring fulfillment of deliveries was overlooked. Ministries, departments, and organizations which have been converted to this type of supply have ceased to be holders of allocated stocks and for that reason have ceased to submit reports on fulfillment of their delivery plans. As a consequence no one can say either with respect to transit deliveries or warehouse deliveries how material and technical resources will be supplied as a whole, what deliveries will be like in comparison to the respective period of the previous year. At the same time every regional administration accepts the order to furnish physical resources to consumers. The sum of the orders for the ministry as a whole might in fact become the delivery plan whose actual fulfillment could be evaluated.

Then we would know how supply and sales agencies are performing their contractual obligations. A check might be run on the schedule of deliveries and their level, and the necessary steps might be taken in good time to improve the material and technical supply of enterprises, ministries, and departments.

The conversion to supply through wholesale trade of such a major consumer as USSR Minsstroydormash has helped to reveal yet another shortcoming. The reference is to resource conservation. Many enterprises have all of a sudden cut back their effort to save on resources, and sometimes they have been behaving irresponsibly not only toward their use, but even toward their storage. There are cases of people taking a dependent attitude on the assumption that supply agencies (regardless of the results of conservation) will in any case furnish resources, and if necessary they will allocate whatever additional amounts are required.

This is a very dangerous malady. Conditions need to be created for consumers so that it is economically disadvantageous for them to request excessive resources. The overexpenditure of resources must have an essential impact on the enterprise's economic situation. Only then will it be motivated to use physical resources economically and optimally. The consumer is at present little disturbed by excessive stocks and overconsumption of materials. In future the conversion to wholesale trade must be related to conversion of ministries and departments to self-financing and cost accounting. Then every collective, concerned about its incentive funds, will strive to reduce production costs and achieve economical use of resources.

It has also become especially noticeable that the consumer largely suffers because of insufficient responsibility of supply agencies, which themselves sometimes force enterprises to build up stocks and to overconsume resources. That is why agencies of USSR Gosstab should also

be converted more rapidly to cost accounting and self-financing. The income of supply agencies must be made directly dependent on filling the orders of consumers and on optimization of stocks of products in the region. The principle of reimbursing losses out of cost-accounting income must be used extensively not only in relations among enterprises, but also between them and agencies of USSR Gossnab.

The small experience that already is available on wholesale trade has shown that there are major shortcomings in its organization and functioning. That is why it is very important to draw the lessons even now from the errors that have been committed so that they are not repeated, to eliminate the shortcomings, and to prevent this important and necessary effort from failing.

The development of wholesale trade is a most important direction for increasing the flexibility and responsiveness of supply. Wholesale trade must expand and become the principal form of material and technical supply as production expands and the demand is met for products for production and technical purposes and also as full cost accounting and self-financing have a greater impact.

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TULA OBLAST NOVOMOSKOVSKOYE ASSOCIATION OPERATIONS DETAILED

Moscow EKONOMIKA SELSKOGO KHOZYAYSTVA in Russian No 7, Jul 87 pp 62-65

[Article by N. Kopanev, Candidate of Economic Sciences: "Initial Steps of the Novomoskovskoye Association"]

[Text] The Novomoskovskoye agro-industrial association has been created and is operating on a basically new and democratic basis at the Tula Kolkhoz imeni V.I. Lenin.

The work of agro-industrial associations created earlier in the Kuban, Stavropol, the Moscow region, the Ukraine, Belorussia and in the Baltic republics underscores the effectiveness of these formations, which employ new managerial methods: production and social problems are solved more rapidly; the return from invested resources is high; a reduction is realized in product losses, which are now being processed at industrial enterprises included in the association and which are being sold to consumers through the association's own trade network.

The workers in Novomoskovskiy Rayon in Tula Oblast decided to adopt and develop the generalized experience of these associations. They created a basically new production formation on a democratic basis -- the Novomoskovskoye Agro-industrial Association. What preceded the formation of this new production-economic complex, how was it created and what is its structure, rights and responsibilities? We will attempt to answer these questions.

Spasskoye Village is the center of the Kolkhoz imeni V.I. Lenin, which is now well known throughout the entire country. An individual who was here 10-15 years ago, would be surprised by the profound changes that have taken place. Villages consisting of gloomy ramshackle huts of a single farm no longer exist. Wherever one looks, there are homes which are in no way inferior to city homes, asphalt streets and flower gardens. The kolkhoz's housing fund includes hundreds of apartments with all municipal conveniences. The kolkhoz members have at their disposal a childrens' combine with swimming pool, a modern trade center, an athletic and health complex, a palace of culture, domestic services combine, dispensary and a laundromat.

The farm has approximately 6,000 hectares of arable land, a mixed feed plant, a repair-construction section and other subunits. The farming is carried out

by three production brigades. A large youth complex is the pride of the kolkhoz. An all-Russian school for improving the skills of animal husbandry specialists is in operation at the farm. There are 1,150 individuals (average age of the workers is 35 years) and 90 specialists possessing higher or secondary educations working out on the fields and farms. As a result of their work and creative efforts, the productivity of the fields and farms is increasing with each passing year and the kolkhoz's economy is becoming stronger.

The purposefulness of the labor collective is apparent in the dynamics of its economic growth. When they began, they were obtaining 10 quintals of grain crops per hectare and scarcely 1,500 liters of milk per cow. Here is how these indicators have appeared on the average for the past 4 five-year plans: 8th (by types of products respectively) -- 26.6 and 2,787; 9th -- 33 and 3,756; 10th -- 40.5 and 4,635; 11th -- 41.3 and 5,336.

During the first year of the 12th Five-Year Plan, the kolkhoz sold 17 million rubles worth of agricultural products and almost 200 tons of meat and in excess of 320 tons of milk were sold to the state in excess of the plan.

At the present time, the Kolkhoz imeni V.I. Lenin is an intensive farm of the agro-industrial type. Operations are carried out in close contact with science. The rapid introduction into operations of scientific achievements is ensured. This is producing fine results. The organization of production operations is based upon the combining of an industrial technology with industrial work methods and high material interest in the final results.

The plans for the Kolkhoz imeni V.I. Lenin, which were developed following the May (1982) Plenum of the CPSU Central Committee, call for the milk yield per forage cow to be raised to 6,000 kilograms annually by 1990 and for the grain yield to be not less than 50 quintals per hectare and sugar beets -- 500 kilograms per hectare.

"Yes, our farm is a good one" stated the kolkhoz's chief zootechnician N.T. Kochetova, "we are employing an industrial technology not for a rank and file herd but rather for a high pedigree one consisting almost completely of elite and elite-record class animals. Such cattle are immune to stress factors and they are marked by strong constitutions and uniformly high productivity. A breeding plant has been created at the kolkhoz for the purpose of improving the black-variegated strain. Our unique system for removing farmyard manure is well known throughout the country: slotted floors combined with sub-flooring trenches ensure an ecologically pure milk production technology. For a number of years in a row now, the kolkhoz has been selling only 1st class milk to the state and has been receiving large additional payments for such milk. Roughly 385 tons of milk were obtained in 1986 for each worker engaged in dairy production and the more experienced operators -- 1,000 tons each."

"Many come to us for the purpose of learning" continued N.T. Kochetova, "but it can be stated directly that the results of such visits are still lacking. What is holding up the dissemination of valuable experience and preventing it from becoming an active force for economic development? An answer to this

question is persistently being sought in Novomoskovskiy Rayon. One solution has been found in connection with changing the type of effect generated by a leading kolkhoz on a farm. The conclusion was drawn that an agro-industrial association would be just such a form and it would certainly be based upon a better farm. In this instance -- the Kolkhoz imeni V.I. Lenin -- which could serve as the chief organizer for the introduction into operations of intensive technologies, cost accounting and the collective contract."

It is noted that repeated attempts were made in the past to furnish assistance to the backward elements of leading farms. Many measures were undertaken. Delegations were sent off to various areas, articles appeared in newspapers and magazines on the subject of experience, criticism was unleashed, assistance was furnished in the form of seed and highly productive livestock and the best workers were assigned to work at backward farms. But still no improvements were noted. And this was due to the fact that all of this assistance was based upon patronage that was not reinforced with economic interest.

The situation is different in an agro-industrial association: the interests of all participants are economically related and directed towards a common final result. The leading farm of a single cooperative is vitally interested in efficient work by all of its participants. It participates directly in the introduction of progressive forms of management and it becomes a strong point for the dissemination of progressive experience.

Another important circumstance was taken into account. The Novomoskovskoye workers were disturbed over the fact that a RAPO [rayon agro-industrial association], as it appears at the present time, does not provide them with the conditions for merging all spheres of the rayon's APK [agro-industrial complex] into a single production system, with balanced development for all of these spheres.

"Our rayon association" stated the former chairman of the Novomoskovskoye RAPO A.S. Kapylov, as he shared his thoughts, "did not become a completely independent or unified organ. Similar to the former agricultural administration, it turned out to be a department of the rayispolkom [rayon executive committee]. The democratic principle of administration was violated. The chairmanship of the RAPO is an elective position and yet he was actually assigned by the raysovet [rayon soviet]. It was as though the rules had been changed. Just as in the past, old operational and administrative methods were imposed and the RAPO staff prepared the individual draft solutions, the measures for carrying them out and the reports and information on work carried out. Once again, as it was prior to the creation of the RAPO, lively work became overshadowed by paperwork. Certainly, such management was not in keeping with the modern managerial requirements. New tasks require a new approach and we are obligated in this regard by the decisions handed down during the January (1987) Plenum of the CPSU Central Committee. In my opinion, all of this served as one of the principal reasons for the adoption of the decision which called for the creation of an agro-industrial association in the rayon at the Kolkhoz imeni V.I. Lenin.

The conclusion drawn by the leaders and specialists, the Novomoskovskiy Rayon Committee and the Tula Oblast Committee of the CPSU, concerning a radical change in the form for administering the agro-industrial complex in the rayon, was supported by the RSFSR Council of Ministers and the USSR Council of Ministers.

Meetings were held at all of the kolkhozes, sovkhoses and processing and service enterprises, during which decisions were made concerning entrance into the association. It should be emphasized that this question was resolved strictly on a voluntary basis and following comprehensive discussion. During these meetings, representatives were selected for participation in the work of the association's general meeting.

The constituent assembly was presented with 32 documents testifying to the democratic approach employed in the creation of the Novomoskovskoye Association: one authorized representative was selected for every 50 able-bodied workers and the overall number of delegates was 160. Extensive rights were granted to the meeting of authorized representatives -- the association's highest organ of administration. It convenes when necessary, but not less than twice annually.

The constituent assembly of authorized representatives unanimously approved the decision which called for the creation of the agro-industrial association. In accordance with a recommendation by many participants in the meeting, Hero of Socialist Labor, chairman of the Kolkhoz V.I. Lenin and Candidate of Agricultural Sciences V.A. Starodubtsev was unanimously elected to serve as its chairman. A council consisting of 40 individuals was selected and also an administration consisting of 13 representatives of various APK collectives in the rayon. The administration manages the operations on a daily basis.

In accordance with the statute and regulations adopted, the Novomoskovskoye Association is granted great rights and responsibilities. Its principal task is to ensure growth in the production of agricultural products and high quality food goods, based upon mastering the achievements of scientific-technical progress and improving social conditions. It functions as a unified production-economic complex, it ensures on the basis of complete cost accounting and self-supporting operations the conditions required for effectively combining the enterprise and industry of labor collectives with the advantages offered by centralized planning and it bears responsibility for ensuring deliveries of agricultural products into the all-union and republic funds and the timely satisfaction of the needs of its customers.

A very important aspect: kolkhozes, sovkhoses and other enterprises which belong to the association retain the economic independence and rights of a legal entity.

The association must constantly develop and strengthen cost accounting operations and establish a close relationship between the production results and the wage funds for the collective. Thus it is authorized to create wage and economic incentive funds on the farms, at enterprises and in organizations from the gross income and based upon long-term norms. It is also authorized

to create a reserve wage fund in the amount defined during the meeting of authorized representatives.

The enterprises and organizations belonging to the association are authorized to sell (in behalf of fulfilling the plan for deliveries into the all-union and republic funds) up to 30 percent of their planned output and all of their above-plan output, in accordance with the prices established by them and in those regions in which deliveries are to be carried out into the all-union and republic fund.

A special administrative staff has been created for resolving organizational and production problems. This staff will be maintained by means of funds withheld by the enterprises and organizations belonging to the association.

In conformity with its regulations, the association's administration may make extensive use of the right extended to it to introduce new wage forms, including payments in kind, into operations at the enterprises and organizations. It is also authorized to establish, using its own resources, additional payment amounts for social security and to determine, taking existing legislation into account, the norms for the development of the private economy and the forms for its integration with public production.

There is still one other important innovation: a unified FRTs (finansovo-raschetnyy tsentr; financial-accounting center) is already operating within the Novomoskovskoye Association. With its assistance, financial operations are being carried out among the farms, supply, procurement, processing, trade and other enterprises of the association and also USSR Gosbank and the financial organs.

The chief tasks of the FRTs -- to develop variants for the association's financial and credit plans; to implement measures aimed at strengthening cost accounting and planning-financial discipline, lowering production costs, raising profitability and production efficiency and so forth. The FRTs exercises control over observance by the enterprises and organizations of state discipline in the use of material and monetary resources, the safeguarding and special purpose use of internal working capital, the effectiveness of capital investments and economic incentive funds and it also carries out other functions.

The Novomoskovskoye Association has its own account in Gosbank. Credit is extended to the association for its total requirements for borrowed funds. All earnings by the kolkhozes and enterprises are included in the association's account and the kolkhozes, sovkhoses, enterprises and organizations belonging to the association have their own accounts in the FRTs, in which all of the accounting and monetary operations are reflected on a daily basis.

Thus a new type of association has been created and is operating on the basis of a leading farm. It would appear that the kolkhoz has been raised to a higher stage, that it has become a leading element and that it is carrying out a new and additional organizational function.

"We are still taking only the initial steps" stated V.A. Starodubtsev, "Today a great amount of independence is being felt in economic operations and yet we are constantly experiencing pressure from above on the part of the bureaucratic apparatus and the restraint mechanism. There has been no great expansion in the initiative of leaders and specialists. It must be confessed that despite many attempts to improve the administrative apparatus, bureaucracy is still making its presence felt. Almost 30 different organizations can impose various penalties upon a kolkhoz or sovkhos leader. Many such organizations are simply interfering with operations. At times, the work being carried out at kolkhozes is being hindered by people who have no claim upon kolkhoz property. The association itself must solve all of the complicated economic tasks."

"We determine the wages for specialists, field crop growers and livestock breeders through our elective organs" continued the chairman. "Everything is dependent upon creative and highly productive labor and upon the contribution made by each individual towards the development of production. There are also those workers whom we pay more (and considerably more) than we pay those who are performing the same work but producing fewer results. We are obligated to pay higher wages in the form of an incentive to competent, business-like and industrious people."

The association has been granted extensive rights in the formation of its official schedule. Nobody dictates to us from on high as to how many and what type of workers should be maintained on our rolls. This applies to sovkhoses, kolkhozes and also to the association's central apparatus.

Many workers of the former RAPO, having proven themselves to be fine organizers, have been included by the association's administration on its working staff of specialists. A.S. Kapylov was approved to serve as deputy chairman of the association for economic matters. He was also a member of the association's council and administration, since he participated actively in the creation of the Novomoskovskoye Association. At the present time, he has many interesting plans and he willingly shares his thoughts:

"It seems dangerous to me that many leaders and specialists of farms, brigades, departments and farms lack tenacity and enterprises, qualities for which there is an extreme need today in order to make rapid use of new and leading developments and achieve highly efficient management of production operations. Today each individual must accept responsibility for himself, carry out bold experiments and hand down specific business-like decisions. Those who wait for prepared solutions are doomed to fall behind and to delay restructuring. Thus our party organization and economists are concerned with ensuring that the personnel constantly improve themselves and raise their professional training. The task has been established as follows: each must know the principles of cost accounting, the collective contract and the intensive technologies being employed in his branch. We are devoting special attention to mastering the rich experience of the Kolkhoz imeni V.I. Lenin.

"We consider a chief concern here to be that of ensuring that each kolkhoz and sovkhos realizes fully its potential and, based upon assistance received from its partners in industrial integration, persistently increases its production

and raises the quality of its output" emphasized A.S. Kopylov, "In the work of each subunit, we are strengthening democratic principles to the maximum possible degree, the economic methods of management and use of the all-round approach for solving tasks."

"Our Goal" continued V.A. Starodubtsev, "is to achieve a sharp improvement during the next few years in the work of all farms and to accumulate more resources for the development of social production and for solving social problems. Attention must first of all be given to the land -- our chief wealth. We are devoting a maximum amount of effort towards ensuring that each hectare becomes highly productive. The entire collective has a great amount of work to carry out in order to overcome the backwardness of the processing enterprises. This element of production has turned out to be very weak from both a technical and organizational standpoint and thus we are modernizing the dairy plant, the confectionery factory and other processing enterprises. We will persistently learn how to trade, to supply the consumers with our products more rapidly, to expand the assortment of products and to improve their quality."

Regardless of the weather conditions, we must carry out all of the plans for 1987. In order to achieve this, a true business-like mood and a high level of organizational ability and discipline are being maintained on all of the farms and enterprises of the Novomoskovskoye Association. This then is the goal of the competition that has been launched at kolkhozes, sovkhoses and other enterprises and organizations of the APK in Novomoskovskiy Rayon in Tula Oblast, a competition to worthily greet the 70th anniversary of the Great October.

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VITAL QUESTIONS OF FARMING DEVELOPMENT DISCUSSED

Moscow ZEMLEDELIYE in Russian Jul 86 pp 2-6

[Article by G.A. Romanenko, deputy chairman of USSR Gosagroprom and chief of the Department for the Production and Processing of Animal Husbandry Products: "Vital Questions of Farming Development"]

[Text] The conversion of agriculture over to an industrial basis must be carried out, scientific systems for farming management and intensive technologies must be introduced into operations in all areas, the fertility of land must be raised and more efficient use made of it, considerable growth must be achieved in the cropping power of agricultural crops and in the productivity of animal husbandry, the feed base must be strengthened, agricultural production must become more stable and less dependent upon favorable natural-climatic conditions and losses in crops grown and in animal husbandry products must be eliminated

From the new revision of the CPSU Program

The 27th CPSU Congress assigned great and important tasks to the country's farmers. An accelerated increase in the production of field crop husbandry products must be achieved in order to bring about serious improvements, during the 12th Five-Year Plan, in the supply of food products and industrial raw materials for the population. This requires the adoption of effective measures aimed at radically improving farming management based upon maximum production intensification, improvements in the economic mechanism and an increase in personnel responsibility for their final operational results. The chief directions to be pursued by these measures were defined during the 27th party congress. This included consistent strengthening of the branch's logistical base; improving the use of land and raising soil fertility; radically improving the efficiency of use of the powerful production potential already created; concentrating forces and resources on those trends which will ensure the greatest return; mastering the intensive technologies for the cultivation of agricultural crops in all areas; developing the collective contract and cost accounting; reducing product losses.

Intensification of Farming

Farming is a leading branch of agriculture and the entire agroindustrial complex. Thus an improvement in its efficiency based upon production intensification is of priority importance. A chief consideration here is that of improving the use of land and preserving and raising soil fertility.

At the present time, one half of the country's arable land has an adequate humus content, 36 percent -- mobile phosphorus, one fourth of this land requires liming on a priority basis, approximately 23 million hectares require gypsuming and land reclamation work and there are more than 152 million hectares of eroded and erosion-prone soil.

Erosion results in an annual loss of roughly 3 billion tons of fertile soil annually, or 40-42 million tons of nutrients, which is twice as much as the amount being applied in the form of fertilizer. The growth in the number of ravines and gullies has not been halted and secondary salinization of land is occurring in a number of areas. The excessive packing of soil as the result of the operation of heavy machines is arousing some concern. All of these factors serve to underscore the fact that the soil protective measures presently in use are still not adequate.

The primary task consists of developing and introducing energy-conserving and soil protective technologies into operations and ensuring their all-round use in conformity with scientifically sound requirements. It should be borne in mind that the expenditures for preserving soil fertility are considerably less than those required for restorative work.

Applications of adequate quantities of organic fertilizer are of decisive importance with regard to improving the soil and achieving the required humus content. In recent years, 1 billion tons have been applied annually and this amounts to an average of 4.3 tons per hectare of arable land. But it is only in Belorussia, the Baltic republics and some other oblasts of the Ukraine and the RSFSR that the amount of organic material employed conforms to the established norms or is close to them.

The plans call for up to 1.5 billion tons of organic fertilizer to be applied during the 12th Five-Year Plan. In addition to increasing the quantities of organic fertilizer to be applied, emphasis is also being placed upon ensuring that it is employed in a high quality and correct manner.

Within the country there are more than 51 million hectares of arable land and 65 million hectares of natural feed lands with acid soils. Although considerable, the volumes achieved in the liming of these lands are still nonetheless inadequate. The acidity level of limed soils is still declining only slowly. In the near future, the annual volume for the liming of acid soils must be raised to 17 million hectares and this will require 160 million tons of lime materials, or more by a factor of three than the amount being supplied at the present time.

The reclamation of solonetz land is being carried out in very limited volumes. From year to year, the chemical industry is failing to carry out its plans for

supplying agriculture with gypsum and phosphogypsum, despite the fact that our country possesses tremendous amounts of these ameliorants.

Prior to the end of this current five-year plan, the plans call for the deliveries of mineral fertilizer to agriculture to be increased to 30-32 million tons of active agent. Certainly, this pleases the farmers. But the problem is not simply one of increasing the overall quantity of mineral fertilizer. A requirement also exists for ensuring the correct ratio for the nitrogen, phosphorus and potassium content in the fertilizer (1:1:0.85). At the present time, this ratio is not sufficiently favorable (1:0.7:0.6) and this is lowering the effectiveness of the mineral fertilizer.

The kolkhozes and sovkhoses are experiencing an acute shortage of granulated superphosphate and non-chloride potassium fertilizers. For a long period of time, low-concentrate ammonia liquor has constituted a considerable proportion of the nitrogen mineral fertilizer being supplied, the farms have been supplied with limited quantities of simple and complex fertilizer having a high content of active agents, complex phosphorus-potassium mineral fertilizers have been lacking almost entirely and the requirements for micro-fertilizers are being satisfied by only one third.

The quality of the lime materials and many forms of mineral fertilizers does not conform to the standards or technical conditions. This complicates their storage and use and, most importantly, it lowers the effectiveness of their action. A considerable portion of the mineral fertilizer is being transported in open freight cars and this is resulting in great losses.

Special importance is being attached to accelerating the production and delivery to the rural areas, in large volumes, of new and highly effective forms of mineral fertilizers, such as for example liquid complex fertilizers containing a favorable nutrient ratio. We believe that workers attached to the chemical industry and railroad transport must devote greater attention to the requirements of agriculture and undertake effective measures to ensure that they are satisfied more rapidly.

It is obvious that an increase in the effectiveness of mineral fertilizer is dependent mainly upon the agrochemical service, kolkhozes and sovkhoses. Their operational level in this regard is still not very high and this is the chief reason why the return from mineral fertilizer in the form of crops is still lower than the norm. Decisive measures must be undertaken on all of the farms aimed at converting over to modern methods for computing the fertilizer norms and dosages for a planned yield and for ensuring their practical use. Local and other highly effective methods for applying mineral fertilizer should be introduced into operations on an extensive scale.

Many difficulties are being encountered associated with a shortage on the farms of storehouses for the storage of mineral fertilizer and the equipment employed for applying it. Some of the machines being produced, for example fertilizer spreaders with centrifugal working organs and RUM-5-03 boom fertilizer distributors, are not ensuring the quality of work desired. It is our hope that the workers in agricultural machine building will improve the quality of the equipment being employed for the use of chemicals in

agriculture and organize the series production of new and highly productive machines. At the same time, the local organs of Gosagroprom [State Agro-industrial Committee], kolkhozes, sovkhoses and the associations of selkhozkhimiya must solve in a more active manner those problems concerned with raising the effectiveness of use of fertilizer. Considerable positive experience is available in this regard and it must be publicized and utilized on a more extensive scale.

Many shortcomings persist in the use of irrigated and drained lands. The majority of the kolkhozes and sovkhoses are not obtaining the planned yields from their reclaimed land.

The October (1984) Plenum of the CPSU Central Committee approved the Long Term Land Reclamation Program and Measures for Raising the Effectiveness of Use of Reclaimed Land. For the 12th Five-Year Plan, 50.4 billion rubles worth of capital investments, or 17 percent more than for the 11th Five-Year Plan, were allocated. These funds will be used for placing in operation 3.3 million hectares of irrigated and 3.6 million hectares of drained land, for carrying out soil improvement work on an area of 8.3 million hectares and for improving the technical condition of existing irrigation systems on an area of 5.6 million hectares. The plans call for raising the technical level and quality of aquicultural construction work. This will promote an all-round solution for the problems of land reclamation and it will create favorable conditions for the kolkhozes and sovkhoses such that they will be able to solve the tasks concerned with raising substantially the effectiveness of use of reclaimed land and obtaining the planned yields from such land in all areas. When solving the mentioned task, importance is attached to devoting special attention to improving the crop structure for reclaimed lands, creating large zones for the guaranteed production of grain, especially corn, in irrigated regions and to introducing intensive technologies and a method for programming yields into operations on an extensive scale.

An urgent solution is needed for one very acute problem -- the campaign against field weediness. Constant and comprehensive work aimed at maintaining fields in a weed-free state has still not been organized on many farms. As a result, considerable shortfalls in certain field crop husbandry products are being experienced and the effectiveness of resources being employed for farming intensification is declining. Such a situation cannot be tolerated. The farm leaders and agronomists and each member of a labor collective must display greater responsibility for ensuring a high culture of farming and for removing weeds from all fields.

High quality seed production plays a very important role in the zonal farming systems. Much has been done in recent years to improve seed production. A system for the production of high quality seed based upon specialization, concentration and all-round mechanization has been created throughout the country. This has made it possible to improve substantially the availability of high quality seed for the kolkhozes and sovkhoses and to raise the quality of the seed. However, there are still weak elements in seed production. Some of the seed being sown is of low quality, the plans for strain changing and strain renovation are being disrupted and seed shortages are occurring in the case of some crops. The chief reason for this -- inadequate logistical base

for seed production, especially in the Urals, Siberia, the north Caucasus, Central Asia and the Trans-Caucasus. During the last five-year plan, 35 percent of the grain crop seed sown on farms in the mentioned regions of the RSFSR was of 3d class quality and at kolkhozes and sovkhoses in Central Asia -- 47 percent.

The creation of a logistical base for seed production is certainly not a simple task. It requires a great amount of attention on the part of USSR Gosagroprom and its organs in the various areas.

We still have many farms which annually request large allocations of seed from the state. We must decisively eliminate such manifestations of parasitism once and for all. The state seed funds are created mainly as a reserve for use in the event of crop losses caused by weather conditions, for strain changing and for providing high quality seed for certain crops to farms in zones in which the crops are not being produced. The state seed funds must be expended in an efficient and thrifty manner.

The strain structure and quality of the seed are arousing alarm. Old varieties constitute a considerable proportion of the seed and new and more productive ones are being introduced into operations only slowly. In 1985, throughout the country as a whole, 28 percent of the grain crop seed sown was from mass reproductions and in Kalinin, Kurgan, Perm and Irkutsk oblasts -- 50 percent or more. In some instances, the sowings were generally of low quality or they were occupied by non-regionalized varieties. All of this points to substantial shortcomings in both plant breeding and seed production.

Workers attached to Gosagroprom and agricultural scientific institutes must complete the formation, in all regions of the country, of a modern plant breeding and seed production complex, through the organization of specialized scientific-production associations and strengthening their logistical base. This will ensure a high level of efficiency and reliability for the entire system in which plant breeding and all elements of seed production are included. Over the next few years, for sowing purposes in all areas, use must be made only of seed for regionalized varieties, the quality of which is not lower than 2d class. In addition, strain changing and strain renovation must be carried out in a timely manner.

Intensification of Grain Production -- A Key Problem

Grain is the most valuable product of farming. It constitutes the foundation for the food and forage funds. But the country still suffers from a shortage of grain, especially strong and durum wheat and groat crops. Positive progress has been achieved in recent years in developing the grain economy and yet unfortunately this is far from the case in all regions and on all farms. The state has been forced to purchase grain abroad and to expend considerable currency. Meanwhile, the severity of the problem is not understood in all areas, as borne out by the chronic non-fulfillment of the plans for grain production and procurements by many farms and by entire rayons, oblasts and krays. Moreover, the non-fulfillment of the grain production plans is being accompanied by a desire on the part of some leaders to achieve an increase in the deliveries of grain forage from state resources.

An unjustified reduction in grain crop sowings is also arousing concern. For example, during the last five-year plan they declined by almost 10 million hectares. The grain crop sowing areas on farms in the RSFSR turned out to be less by 2 million hectares than the figure recommended by the zonal farming plans, in the Ukrainian SSR -- by 0.5, Kazakh SSR -- by 0.4, Uzbek SSR -- by 0.3 and in the Belorussian SSR -- by 0.1 million hectares. Approximately 5 million hectares of grain crops are harvested annually for reasons other than their principal purpose. Certainly, a certain reduction took place in the grain crop sowings as a result of growth in the clean fallow areas, an action which had to be taken in the arid regions. But the return from the fallow, as a result of poor tending of the fallow fields, is still low. Such a situation is unacceptable and must be corrected.

The 27th Party Congress assigned the task of increasing grain production until the country's requirements are completely satisfied. The very minimum amount would be 250-255 million tons annually. The task of achieving this goal in the production of grain is considered to be a strategic task of our farming for the next few years. The kolkhozes, sovkhoses and organs of Gosagroprom must direct their operations towards completing this task. The principal path to be followed in connection with increasing the production of grain -- the mastering of intensive technologies for the cultivation of grain crops, in the interest of raising their yields considerably. This is the chief trend to be pursued in farming and one which will promote the greatest return from the material resources invested.

The experience of recent years has convincingly underscored the high effectiveness of intensive technologies. The increase in grain yield amounts to 10 quintals per hectare and more. Thus the party and government have assigned the task of attaching priority importance to the use of intensive technologies for cultivating grain crops. This year the volume of their use will be increased to 30 million hectares, compared to only 15.5 million hectares last year. By the end of the five-year plan, intensive technologies must be in use on not less than 50 million hectares and they must ensure a substantial increase in the grain crop harvest.

The lessons of past years have shown that intensive technologies are acceptable and effective only when there is a high level of scientific and logistical support and skilful agronomic and organizational work and when all field work is carried out in a high quality manner. In the absence of the above, the use of intensive technologies becomes an empty formality and their tremendous value is for all practical purposes discredited. Unfortunately, there have been many instances of a formal attitude being displayed at kolkhozes and sovkhoses towards this important new work. Thus, by no means is the proper return being realized from the use of intensive technologies in all areas.

The successful mastering of intensive technologies is dependent not only upon the kolkhozes and sovkhoses but also upon harmonious work being carried out among many other partners in the agroindustrial complex. However, such harmony is still lacking. Proper scientific support for the introduction of intensive technologies has still not been organized in all areas, disruptions

are taking place in the deliveries of logistical resources to the farms and shortcomings are apparent in the training being provided to personnel in the new work. Today, with the creation of USSR Gosagroprom and its organs in the various areas, the situation must change for the better. However, this will not happen of and by itself, but rather it requires the efficient organization of work in all directions and in improvement in the responsibility of personnel. Special attention should be given to radically improving the instruction being provided to agricultural workers, particularly agronomists and machine operators, in all of the fine points of the intensive technologies. The level of this knowledge is low in many instances and this constitutes one of the chief reasons for failure in the mastering of the intensive technologies.

The scientists must perform more active work in connection with constantly improving the intensive technologies and furnishing direct assistance to the kolkhozes and sovkhoses in organizing the introduction of these technologies into operations.

Reliable logistical support for mastering the intensive technologies is primarily dependent upon workers attached to agricultural machine building and the chemical industry. They are still under a great obligation to the farmers. A requirement exists not only for increasing the deliveries to the farms of the required machines and chemical agents, but also for raising their quality substantially and accelerating the creation and series production of new and highly effective models of equipment, mineral fertilizers, pesticides and retardants.

Special importance is being attached to accelerating support for the farms in the form of modern and highly efficient and reliable technical equipment to be used for local applications of fertilizer and the efficient use of pesticides. The time is at hand for organizing the production of highly effective domestic insecticides, fungicides and herbicides and, in this manner, sharply reducing the importing of these expensive preparations.

It is our hope that the workers attached to the appropriate ministries and departments understand well the vital needs of the farmers.

The solution for the problem of increasing grain resources and other farming products is directly related to reducing crop losses during harvesting, transporting, storage and processing operations. A chief concern here is that of improving the organization and technologies for these operations and achieving a reduction in their duration, which is still higher by a factor of 2-2.5 than the optimum figure. The principal cause of crop losses is the dragging out of the crop harvesting period.

The situation must improve with an increase in the deliveries to agriculture of new wide-swath harvesters, modernized combines and mastering the production of the new and highly productive Don 1200 and Don 1500 combines. Considerable importance is being attached to ensuring that renovation of the pool of harvesting machines is accompanied by an increase in the level of their use, an improvement in the technical knowledge of the machine operators and

specialists and by an improvement in the work of the repair and technical service of the agro-industrial complex.

Great importance is also being attached to expanding and carrying out technical improvements in the threshing economies of kolkhozes and sovkhoses and to improving the organization of grain shipments.

USSR Gosagroprom is presently addressing those problems concerned with organizing the construction on the farms of grain and seed storehouses and covered threshing floors which can be rapidly assembled using prefabricated parts and which can be used for the storage of equipment. Jointly with the USSR Ministry of Grain Products, solutions are being found for those problems concerned with improving the system of grain procurements, in the interest of ensuring proper responsibility for the batches of high quality bread grain and eliminating violations in the computations with kolkhozes and sovkhoses for products turned over to the state.

Greater Attention for Technical Crops

Improvements in the production efficiency for technical crops are largely dependent upon proper interaction between the kolkhozes, sovkhoses and processing enterprises. With the organization of USSR Gosagroprom and its organs in the various areas, favorable conditions are being created for radically improving this interaction. For example, the sugar yield per hectare of sugar beet sowing is a chief indicator for the efficiency of sugar beet production and is dependent upon the operational level of the farms and sugar plants and the effectiveness of their interaction. When the producers of sugar beets and sugar operated in isolation from one another, as was earlier the case, proper interaction could not be achieved among them. As a rule, this resulted in low sugar yields per hectare of sugar beet sowing.

Meanwhile, many years of experience in Yampolskiy Rayon in Vinnitsa Oblast, where the efforts and interests of the beet growers and sugar producers were combined by way of an experiment, have shown that such a union is capable of furnishing the maximum possible sugar yield per hectare. Today, with the production and processing of sugar beets being organized and combined in this manner in all areas, it is possible to realize the effects of the Yampol experiment in all areas. For this possibility to become a reality, three chief conditions must first of all be met: 1) the mastering on all beet growing farms of the intensive technology for sugar beet cultivation, in the interest of obtaining high yields of root crops having a high sugar content; 2) organizational-technical improvements in the processing of sugar beets; 3) organizing interrelationships among the farms and sugar plants for their own mutual interests.

Much has already been accomplished and is being done in the interest of creating these conditions. This year, the intensive technology is being employed for cultivating sugar beets on an area of 2.6 million hectares -- three fourths of the overall plantings, additional sugar plant production capabilities for the processing of 24,000 tons of beets daily will be placed in operation and 1.3 million square meters of mechanized storehouses and sites

with hard surfaces for the storage of beets and with forced ventilation have been built at beet receiving points.

Large tasks remain to be carried out in cotton production. The plans call for the production of cotton fiber to be increased to 2.8-3.0 million tons by 1990.

In this branch, a maximum amount of attention is being given to its further intensification, completing the development of scientifically sound cotton-alfalfa crop rotation plans, raising the level of plant breeding work and satisfying more completely the requirements of the textile enterprises for high quality cotton fiber. The introduction into production operations of such progressive methods as the precision sowing of cotton, ridge sowing, the biological method for combating pests and others will be expanded. The plans call for the level of mechanized harvest operations to be raised.

The disparities which occurred earlier in the interests of partners in the cotton agro-industrial complex led to a situation in which the output of fiber during the past five-year plan declined compared to the level for the 1976-1980 period and an increase took place in the complaints registered by consumers regarding the quality of the cotton products. Today the cotton agro-industrial complex is concentrated in USSR Gosagroprom and favorable conditions are being created for solving all problems concerned with its integration. In the process, greater interest is being displayed by the partners not only in increasing the production volumes for the cotton products but also in improving their quality. In the Uzbek SSR, a conversion has already been carried out over to the acceptance of raw cotton from kolkhozes and sovkhozes, with payments based upon quality and its fiber content. Measures are being employed for issuing material incentives for having increased the above-plan yield of fiber. During the current five-year plan, this positive experience will be disseminated among other cotton growing republics.

Solutions are being found for the problems concerned with further increasing the production and improving the quality of other technical crops. Measures are being undertaken aimed at expanding the sowing areas for the various varieties and hybrids of sunflowers, soybeans, rape and spinning flax. The plans call for the extensive introduction into production operations of intensive technologies for the cultivation of these crops, technologies which will raise the effectiveness of their production considerably. Solutions are being found for the problems concerned with strengthening the logistical base for the processing enterprises.

Strengthening the Feed Base for Animal Husbandry

Over the past few years, the country's kolkhozes and sovkhozes have realized improvements in the work of ensuring that feed is made available for animal husbandry operations and this has had a positive effect on the development of this branch. During the past five-year plan, the average annual production of coarse and succulent feed increased by 14 percent and the plans for procuring hay, haylage and silage were fulfilled almost annually. The quality of the

feed being procured has improved noticeably and this has promoted a reduction in the consumption of grain in animal husbandry operations.

The work concerned with further strengthening the feed base continues to be based upon raising the technical level of field and meadow feed production and ensuring the efficient and effective use of all feed lands, especially on reclaimed lands. By 1990, the production of feed must be increased to 540-550 million tons of feed units, including hay procurements of up to 110-112 million tons and food roots -- up to 60-63 million tons.

The plans call for considerable growth in the production of pulse and oil-bearing crops that are rich in protein, since this will make it possible to increase the feed protein yield by 34 percent.

USSR Gosagroprom will devote greater attention to the seed production requirements for a number of forage crops, especially alfalfa, clover and rape and to the construction of feed storehouses.

Time has confronted the country's farmers with very large and complicated tasks. The strategic program being pursued by the party for accelerating socio-economic development is creating favorable condition for solving these tasks.

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STATISTICAL TABLES ON GOODS PRODUCTION, 1980-1987

18270120a Moscow VESTNIK STATISTIKI in Russian No 7, Jul 87 pp 51-61

[Article: "Consumer Goods Production"]

[Excerpt] In 1986 measures were carried out regarding the implementation of the Comprehensive Plan for Developing Consumer-Goods Production and the Service Field.

The total volume of non-food consumer-goods production increased by 4 percent, while the volume of paid-for services rendered to the population rose by 10 percent. The expansion of consumer-goods output and the service field exerted a positive influence on satisfying the population's effective demand.

Nevertheless, certain lines of the Comprehensive Program are not being fulfilled satisfactorily. Growth in the production of most consumer goods (fabrics, hosiery and knitted goods, radios, color televisions, refrigerators and freezers, tape recorders, and sewing machines) has lagged behind the tasks assigned by the Comprehensive Program. To a considerable extent, this has been caused by the non-fulfillment of the annual plan. With regard to most non-food consumer items, the 1986 plan was not fulfilled in physical terms. Nor has there been any substantial improvement with respect to fulfilling the production plan for the current period of 1987.

The quality of many consumer goods, particularly that of complicated household appliances, remains at a low level. The renovation of consumer goods is proceeding at too slow a pace. Thus, for example, the proportion of especially fashionable light industrial items amounts to less than 4 percent of the total goods volume.

There is also a lag in fulfilling the plans for capital construction. Many facilities which were supposed to begin operations in 1986, including some for producing non-woven materials, knitted underwear, furniture, and washing machines, did not go on line.

The retooling of consumer-goods production is being held back by the shortage of up-to-date engineering equipment; the foundation plans for the latter have not been fulfilled satisfactorily.

Light industry has not been sufficiently provided with chemical fibers and threads or with auxiliary textile materials and other items of the chemical industry. The need for synthetic dyes is not being met, and their production has been practically at a standstill over the last 30 years. Likewise in short supply are other types of chemical products necessary to expand the goods assortment.

The tasks assigned to the scientific and technical programs for developing consumer-goods production and the service field have not been carried out.

More than half the ministries for which a plan had been established for carrying out services to the population failed to cope with their plan assignments.

A number of decrees specifying the tasks of the program and measures to implement it were adopted for the purpose of developing the Comprehensive Program. However, judging by the results for 1986, not one of the 19 decrees has been completely carried out.

Production of the Most Important Non-Food Consumer Goods

<u>Item</u>	<u>1980</u>	<u>1985</u>	<u>1986</u>	<u>1987</u> <u>(plan)</u>
Light industrial goods:				
Fabrics, in billions of sq. meters	10.7	12.1	12.3	12.7
including cotton fabrics	7.1	7.7	7.8	7.9
Sewn items (in wholesale prices as of 1 January 1982), in billions of rubles	23.5	26.0	26.3	25.8
Hosiery items, in millions of pairs	1,669	1,909	1,968	2,012
Knitwear, in millions of units	1,623	1,732	1,775	1,844
Rugs and carpeting, in millions of sq.m	93.4	108.5	110	112
Footwear, in millions of pairs	743	788	801	816
Cultural, everyday, and household goods:				
Radios, in thousands	8,478	8,849	8,924	8,980
Television sets, in thousands	7,528	9,371	9,436	9,827
including color sets	2,262	4,024	4,366	5,200
Tape recorders, in thousands	3,045	4,665	4,765	5,617
Refrigerators and freezers, in thousands	5,932	5,860	5,948	6,190
Washing machines, in thousands	3,826	5,068	5,383	6,066
Vacuum cleaners, in thousands	3,222	4,065	4,269	4,705
Sewing machines, in thousands	1,323	1,504	1,530	1,900
Clocks and watches, in thousands	66.7	67.2	69.9	72.0
Porcelain ware, in millions of units	1,105	1,168	1,144	1,198
Bicycles (excluding children's), in thous.	4,736	5,362	5,491	5,675
Furniture, in billions of rubles	6.0	8.0	8.3	8.6
Household chemicals (in small containers), in thousands of tons	2,452	2,895	3,060	3,537
Wallpaper, in millions of standard pieces	290	405	454	495

Output of the Latest Cultural and Everyday Items

<u>Item</u>	<u>1980</u>	<u>1985</u>	<u>1986</u>	<u>1987</u> (plan)
Electronic quartz watches, in millions	3.2	9.3	12.7	16.5
Color television sets, in millions	2.3	4.0	4.4	5.2
Cassette recorders, in millions	1.3	3.8	3.9	5.1
Refrigerators with a capacity of 200 cubic inches or more, in millions	2.1	3.3	3.7	4.1
Automatic and semiautomatic washing machines, in millions	1.0	1.2	1.3	1.5
Zigzag sewing machines, in thousands	578	839	919	940
Videocassette recorders, in thousands	--	6.8	13.0	40

The proportion of the latest cultural and household items within the overall volume of the corresponding goods is increasing. At the present time the proportion of color television sets within the overall volume of TV sets amounts to 46 percent, that of cassette recorders--82 percent, "zig-zag" sewing machines--60 percent, and large-capacity refrigerators--63 percent.

Production of Children's Items

<u>Item</u>	<u>1985</u>	<u>1986</u>
Coats and short coats, in millions	18.7	20.5
Jackets, in millions	19.1	20.5
Suits, in millions	29.1	31.3
Dresses, in millions	134	143
Shirts, in millions	121	126
Hosiery items, in millions of pairs	645	691
Knitted underwear, in millions of sets	651	681
Knitted outerwear, in millions of units	314	327
Youth bicycles, in thousands	899	946
Children's bicycles, in thousands	6,442	6,204
Furniture, in millions of rubles	249	260

Output of Youth Items

<u>Item</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Hosiery goods, in millions of pairs	61.7	87.4	114	133
Knitted underwear, in millions of units	37.9	41.8	60.8	66.0
Knitted outerwear, in millions of units	7.5	12.1	19.0	32.1
Sewn goods (in wholesale prices of enterprises as of 1 January 1982), in millions of rubles	415	834	966	1,126
Textile haberdashery goods (in retail prices), in millions of rubles	3.9	3.9	3.5	1.5
Leather haberdashery (in wholesale prices of enterprises as of 1 January 1982) mlns of rubles	59.7	86.1	103	98.9
Footwear, in millions of pairs	29.7	41.0	45.1	46.7

However, the volume of goods in the youth-type assortment is still insufficient. Within the total output of textile-haberdashery items the proportion of such goods in 1986 amounted to only 0.06 percent, while that of hosiery, knitted items, and footwear did not exceed 7 percent.

Increased demand among the population is enjoyed by especially fashionable items sold at contractual prices and by goods with the N index.

Production of Especially Fashionable Items Sold at Contract Prices by the USSR Ministry of Light Industry and Those of the Union Republics

<u>Ministry</u>	<u>1985</u>		<u>1986</u>	
	<u>Production, millions of rubles</u>	<u>Percentage of esp. fash. items in tot. vol. of light indust. goods</u>	<u>Production, millions of rubles</u>	<u>Percentage of esp. fash. items in tot. vol. of light indust. goods</u>
USSR Ministry of Light Industry including the ministries of light industry of the following union republics:	1,006	1.3	1,363	1.8
RSFSR	276	2.0	441	3.2
RSFSR Min. of the Textile Ind.	50.1	0.2	94.2	0.4
Ukrainian SSR	289	2.4	301	2.5
Belorussian SSR	39.3	0.8	96.0	1.9
Uzbek SSR	38.2	1.4	41.0	1.5
Kazakh SSR	37.2	1.6	48.0	2.1
Georgian SSR	58.7	4.1	39.7	2.8
Azerbaijan SSR	14.8	1.2	10.2	0.9
Lithuanian SSR	28.3	1.3	36.2	1.6
Moldavian SSR	16.9	1.2	24.6	1.7
Latvian SSR	25.6	1.6	31.3	2.0
Kirghiz SSR	10.4	1.5	13.0	1.8
Tajik SSR	8.1	0.7	14.9	1.5
Armenian SSR	83.9	4.5	112	5.8
Turkmen SSR	7.9	3.4	6.5	2.8
Estonian SSR	18.2	1.6	24.3	2.1

According to the results for the first five months of the current year, the proportion of especially fashionable goods increased to 3.7 percent for the USSR Ministry of Light Industry as a whole.

Production of Certain Cultural, Everyday, and Economic Items with the N Index

<u>Item</u>	<u>1986</u>	<u>First Quarter</u>	
		<u>1986</u>	<u>1987</u>
Refrigerators			
in thousands	367	87.9	51.3
as a % of total produced	6.4	6.0	3.6
Washing machines			
in thousands	101	26.2	20.4
Radios			
in thousands	1,268	315	317
as a % of total produced	14.2	14.1	16.4
Television sets			
in thousands	1,686	352	518
as a % of total produced	17.9	15.0	26.8
including color sets			
in thousands	1,686	352	518
as a % of total produced	38.6	34.5	57.3
Tape recorders			
in thousands	661	216	121
as a % of total produced	13.9	18.0	11.1
Furniture			
in millions of rubles	2,566	627	705
as a % of total produced	30.9	30.3	33.2

The quality of goods intended for long-term use has remained low. According to results for the first quarter of this year, one out of every two color TV sets, one out of every three tape recorders, and one out of every 10 radios have had claims made and guaranteed repairs done on them.

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RSFSR RETAIL TRADE TURNOVER FIGURES FOR 1987

18270120b Moscow SOVETSKAYA TORGOVLYA in Russian 21 Jul 87 p 1

[Article: "Report by the RSFSR Central Statistical Administration: On Fulfillment of the Plan for Retail-Goods Trade Turnover by RSFSR Trade Organizations during the First Six Months of 1987"]

[Text] FULFILLMENT ON THE PLAN FOR RETAIL-GOODS TRADE TURNOVER BY RSFSR TRADE ORGANIZATIONS DURING THE FIRST SIX MONTHS OF 1987:

<u>Item</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
Goods turnover of state trade and consumer cooperatives	91.0	79.2	96	97
Including:				
Goods turnover of public dining	7.8	7.2	100.3	101

- Key:
1. Total fulfilled (in billions of rubles)
 2. Total fulfilled, excluding sales of alcoholic beverages
 3. Percentage of total plan fulfilled
 4. Percentage, excluding sales of alcoholic beverages

As the data show, the trade organizations are still not exerting an active influence on industry along the lines of increasing production, expanding the assortment, and improving the quality of consumer goods; this is having a negative effect on fulfillment of the goods-turnover plan.

Public demand and predicting it have not been sufficiently studied. Too little progress has been made in selling fashionable items, knitwear for young persons, footwear for all age groups, and items with improved quality. Restructuring has not been carried out in the reciprocal relations between trade and industry. As a result, the assortment of goods in the stores frequently fails to meet the public's seasonal demand.

Nor are the needs of workers for public dining facilities at their place of employment or study being fully satisfied. Industrial enterprises are supplying cafeterias and snack bars by only 36 percent, higher educational institutions by only 69 percent, and special educational institutions by only 74 percent of the norm. For the RSFSR, an average of 1 of every 10 vocational-technical schools and 27 percent of the general-educational schools do not have cafeterias or snack bars. The network of commonly accessible public-dining enterprises has been particularly slow to develop. Based on every thousand inhabitants, these enterprises provide seating which amounts to only 54 percent of the norm in urban localities, while for rural localities this figure is only 48 percent.

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PUBLIC'S ATTITUDE TOWARD COOPERATIVE ACTIVITY VIEWED

Readers' Opinions

18070113 Moscow SOVETSKAYA ROSSIYA in Russian 24 Jul 87 p 3

[Article by E. Maksimovskiy: "Socialism: License for the Cooperative Society. The Resource of Initiative"]

[Text] It is striking how opposite the positions are at times. Some come out resolutely for cooperatives, straight from the shoulder they cut down the "heads of the hydra of bureaucratism," which, in their opinion, impedes the development of personal initiative (F. Ryabinin, Irkutsk Oblast). Others, with no less passion, assert that cooperatives promote "the rebirth of private property instincts" (A. Gotsoyev, Makhachkala), "will do us in" (A. Petrov, Krasnodarsk Kray), and receive "legalized unearned incomes" (V. Poddubey, Kamchatka Oblast).

The positions of people are determined by their world view. We will permit a simple pun--measure of view. In everyday practice, the measure of view is determined by the attitude of the person toward the event--"for", "against", "I abstain." I spread the letters out in accordance with this principle and discovered among them sharply-sketched age limits. There are, of course, also exceptions. "For" are in the main readers 45 years old and younger and from . . . 80. The children and the grandfathers. Between 45 and approximately 60 lies a certain vacillating space--the opinions are weakly expressed, they do not have emotional color. But there are still also the "fathers"--an age range of approximately 60 to 75 years. In the majority they are categorically opposed to cooperative societies.

The "children" vote for cooperative societies since in terms of years they are most receptive to changes and they are more exacting with respect to the service sphere. The 27-year old V. Tregubov from Moscow calls for the creation of more cooperatives of the type that is found in the Kropotkinskaya Ulitsa of the capital: "If in so doing public catering starts to worry, it is no misfortune. . . ." Of course, the cooperative operation of public catering still does not guarantee its quality. You can easily convince yourself of this fact, having glanced into the cafe of the cooperators of the Mordovian city of Saransk: There are pretensions to be modern, but there is no mastery. Slack, tasteless, and therefore also expensive.

The Muscovite N. Nizskiy, who belongs to the category of "grandfathers", remembers other times, he himself was a cooperator in the 1920's. He remembers how they tried to attract smart cooks with their intrigues. And now? With stone faces they meet in the dining-rooms the Khabarovsk citizen A. Shcherbakov. Here a person is indignant and demands that order be established and that the bribe-takers be expelled--which, in his opinion, can produce a greater effect than a cooperative approach. At one with him is L. Borisova from Penza: "Our country does not need cooperatives. We need to interest the workers of the consumer services and public catering." She is over 60.

The people of this generation, although they have gone into retirement, nevertheless determine the psychological mood, perhaps, more actively than the "children" and the "grandfathers." Many of them are carrying out public activity in the place where they live, are members of various commissions under the Soviets, etc. One must not underestimate their influence on the course of cooperative processes. For example, quite a number of letters arrived with reports about the conservatism of the workers of the Soviets and the position of wait and see taken by them. But, let us agree, if every day they hear the dissatisfied voices of their activists and receive angry letters, then they involuntarily begin to become flustered themselves: Are we going along that path? Is it not more correct, as the "old comrades" propose, to establish order through administrative means in the state services, and no cooperatives are necessary?

But on the basis of our experience of buyers, clients, and visitors, we know that administrative measures have not yet made anyone more industrious and interested in us. With the appearance of cooperators, as the Novgorod resident A. Ivanov hopes, competition that is useful to society will return. Additional manpower resources are drawn into the service sphere. There is a reduction in the time required for the completion of repairs, and the quality of service is higher. Do cooperatives threaten the collective spirit which is the pride of our society or socialism itself, as some authors assert? It is erroneous and unscientific to oppose the cooperatives to the state sector--these are forms of integral socialist management, at the basis of which socialized ownership of the means of production still remains in the same way. For the assessment of any phenomena in the economy, it is useful to utilize a simple criterion--if state, social and individual interests coincide--this is also the measure of the socialist view.

However, obviously, there are few material and political economy proofs of the advantage and ideological "purity" of cooperation. In order to make progress in this problem, it is necessary to examine the sources of the psychology of the "fathers" and to determine the historical space in which such an attitude arose.

Yes, we are all children of our time. For somebody, the same women's pantsuits--a half-forgotten fashion, today is a commonplace and daily occurrence, but in some organizations they look at them askance as before, and sometimes do not allow their owners past the threshold. We will not forget that the creation of people, who are today over 60-70, was shaped at a difficult and at times brutal time, when the human masses and armies moved by command, the immaculate will of one-man management. That approach did produce necessary results for the country.

Now is a different time. Scientific-technical progress requires freedom and non-formality of thinking. This is also demanded by the developing social processes--otherwise there will not be historical progress. Monotonous types of vital activity are changed by variety and are filled with a dynamic unknown before.

From the letters of the readers one can draw the conclusion that the attitude toward cooperative societies and the development of personal initiative is today determined by the up-to-dateness of the thinking of the concrete individual and the flexibility of his social psychology. The psychology of the past is only one of the factors of inhibition.

Here is the letter of N. Mukhametdinova from Krasnoyarsk: "I would like to create cooperatives, and four of my friends together with me."

The hopes of Nadezhda Mukhametdinova have not been fulfilled thus far. As she writes, they declared in the ispolkom: Look for premises, look for a guarantor, and still better--hand over your things to a commission shop. This does not suit the women. They could sew also at home, looking after the children. They do not want to hand over their things to a commission shop: People might not buy them, and the shop workers will hardly begin to advertise and what is more to fit them to a figure. Thus the initiative dies. I am frequently in Krasnoyarsk and know--the selection of clothing in the stores is limited, the colors are faded, the fashions of the time of "the subjugation of the Crimea."

With approximately the same problem, the Leningrad resident A. Golubev came to the editors. A professionally qualified musician with a great deal of practical experience, he proposed to create a cooperative for the musical "registration" of marriages. The service is clearly in short supply--not a live melody, but a phonograph sounds in the Palace of Happiness. But the problem of a guarantor appears. The budget organization has no interest in messing with a self-supporting collective. Unnecessary troubles.

Other readers also report problems with a guarantor. Is a guarantor necessary in all cases--this is what we must think about. Partly this question turns on the bank loans to the cooperatives. As soon as money is given out to citizens, some organization, as a matter of fact a juridical person, must bear responsibility for its return. Suddenly the money is stolen! But, you see, the cooperative, too, having gone through labyrinths of agreements and confirmations, in essence is also becoming a juridical person. Its activity is regulated by legislation, and the cooperative answers for its actions before the law. Why the duplication? Overcaution in the face of still unaccustomed processes? Or, as Mukhametdinova writes, "what if nothing came of it?" The loan itself also is not a lot of money. And how much turmoil is there because of it! And if enterprising people decided to manage with their own? As Mukhametdinova and her friends. As her fellow-townsmen K. Dzhanarbekov, who would like to set up a cooperative for the repair of televisions. Why impose loans?

For sure, the specialists should study the possibilities of other forms of financing cooperatives that correspond to their enterprising spirit, which are calculated to expand the base of their activity. A citizen's cooperative investment bank, which would accept the money of cooperatives and would put it into

circulation--this approach, possibly, we combine more with cooperatives at the basis of which there is the dependence of people on the final results of their activity. This, we must think about. This is the problem about which A. Duka, a resident of the city of Kirovograd has also reflected.

At the same time, the process is regulated, not spontaneous, controlled by the Soviets. In taking the decision about the creation of cooperatives, they also assume a responsibility. Why shift it again and to some kind of guarantor?

It is another matter that it is objectively impossible to make do without the daily administration of the cooperatives. They do not operate on an island, but in thick tangles of private and public interests. In other words, the proposed administration of the cooperatives only then will turn out to be effective when it will be linked, not to official duties, but to private material interest. Moreover, the cooperatives themselves will begin to determine in how far the activity of the administration is useful for them. If they consider it useless, they will not pay money for its maintenance. An entirely democratic approach, where responsibility and interest are interrelated. And the state does not have to spend funds for the maintenance of workers, who will manage the processes of the intensification of cooperatives.

There is information that they issue patents of that sort to pensioners without great desire, and they treat in a guarded manner also cooperatives consisting of people with limited work capacity. You also do not turn your back on such a position. The lawyer Yu. Khmarskiy from Petropavlovsk-Kamchatskiy argues it in the following way: "Those who have much free time can engage in active cooperative activity or individual work. These are either pensioners or indifferent dependents. This contingent is not able to solve such responsible tasks of society with respect to the complete satisfaction of the demand for services. As before, the possibility is limited for people to manifest themselves as the most capable people." What to answer Yu. Khmarskiy? On the whole, perhaps, the lawyer is correct. But in our society the conditions for the free selection, by citizens, of such various types of activity as state service or individual service have not yet matured. Some types of cooperatives, as we know, only supplement the state sector.

The number of cooperatives is growing, consequently a free resource is selected within the limits of regulated possibilities. Here in Moscow Oblast there are already 250 cooperatives, moreover active ones. The implantation of the ideas in the social consciousness dictates new forms. An enterprising group of young scholars of the economics faculty of Moscow State University imeni Lomonosov, with the support of the Moscow Gorispolkom is nurturing a project of cooperatives in the social and cultural sphere. There is the interesting idea of the creation of a studio for the production of videofilms from the world of art. Of course, not all are "for", but also not all are "against." Life is diverse in its manifestations. A great and very important enterprise has begun --which is also indicated by the letters of the readers of the newspaper and the viewers of the television series "Studio Matters." Discussion, polemics, and clashes of opinions help to examine these processes and to give everyone the possibility to determine his position.

Statistical Summary

18070113 Moscow SOVETSKAYA ROSSIYA in Russian 24 Jul 87 p 3

Table 1. Analysis of Public Opinion (Based on Letters from Readers), in Percent by Age Categories

(1) Позиция	(2) Возраст			
	(3) до 45 лет	(4) от 45 до 60	(5) от 60 до 75	(6) от 75 лет
За кооперативы (7)	87.3	18.8	7.8	88.1
Против (8)	10.5	11.4	81.1	8.3
Неопределенно (9)	2.3	78.8	11.1	23.7

Key:

- | | |
|-----------------------|-------------------------|
| 1. Position | 5. From 60 to 75 |
| 2. Age | 6. From 75 Years of Age |
| 3. To 45 Years of Age | 7. For cooperatives |
| 4. From 45 to 60 | 8. Against |
| | 9. Uncertain |

From the Editors

The great majority of the authors of the letters treat cooperatives and individual activity purely in consumer terms. Their interest is appropriate: And what will this novelty give us? There are almost no letters from people who are practically engaged in this work. This is explainable. The processes are only gathering strength. But they are gathering it swiftly. The daily increase in the number of cooperators and those who are taking a patent or certificate comes to approximately 8-9 percent.

The time has come to speak directly with those who have supplemented or intend to supplement the service sphere and have entered cooperatives of the production type. It is to them that our new questionnaire is addressed:

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TAX REGULATIONS FOR INDIVIDUAL LABOR ACTIVITY APPRAISED

18280156 Moscow FINANSY SSSR in Russian No 6, Jun 87 pp 18-24

[Article by V. A. Tur, deputy chief of the State Revenues Administration of the USSR Ministry of Finance: "Individual Labor Activity and Taxes"]

[Text] On 1 May 1987, the USSR Law "On Individual Labor Activity", adopted by the sixth session of the USSR Supreme Soviet of the 11th convocation on 19 November 1986, became effective.

The entering into force of the Law was preceded by a great deal of preparatory work. It was required to issue a number of implementing regulations, to bring into conformity with the Law decisions adopted at the union and republic level, and to develop the necessary normative directives. Among the preparatory measures, the work on the improvement of tax legislation, connected with various forms of individual labor activity, occupied an important place.

The question of the role of taxes as an instrument of economic influence on the process of the redistribution of the income of the population was the subject of sharp discussions, in which not only economists, scholars and lawyers took part, but also the population itself. These discussions were broadly illuminated by the press, radio and television.

The changes in the tax legislation adopted in April of this year were effected with regard to the opinions stated by specialists and by the public.

What new is there in the legislation that became effective as of 1 May 1987?

First of all, there has been a significant change in the dimensions of the income tax on the incomes of citizens extracted in the sphere of individual labor activity and in other cases of their receipt outside the sphere of public production.

Previously, the legislation on income tax from the population contained three special scales of tax rates, which are formed on the basis of increasing progression and which differed in terms of the scales of taxation. One of those scales applied to incomes from cottage-craft industries and consumer services. The maximum tax scale in this case reached 65 percent if the sums of the income received exceeded 5,000 rubles a year. The second scale applied to incomes received in the social and cultural sphere (or, as it was accepted to say, to

incomes from private practice). The rate scales in it were somewhat higher and went up to 69 percent if the incomes exceeded 7,000 rubles a year. Finally, a third scale applied to all other incomes that were extracted outside the sphere of public production (for example, on incomes from the rent of premises, the sale of wild-growing fruit and berries, from the breeding of fur-animals, etc.). This scale was the highest in terms of the tax amounts, and the rate went up to 81 percent if the income received exceeded 7,000 rubles a year.

The law on individual labor activity determined the basic principles which must be placed at the foundation of the system of taxation: First of all, the dependence of the tax on the magnitude of the incomes being extracted by citizens, and secondly, consideration of the social usefulness of these or those types of activity.

The new scales of taxation, too, were determined precisely from these positions. Instead of the existing three rate scales of the income tax, only two scales were established. The incomes from the types of individual labor activity in which society is interested most of all--cottage industry trades, consumer services, folk art trades, and the social and cultural sphere--will be taxable at the following rates.

If the income of a citizen does not exceed 3,000 rubles a year, then, after the calculation of the average monthly sum of the income received, the same income tax rates will be applied to it as in the deduction of taxes from the wages of workers and employees, and then, on this basis, the annual sum of tax obligations of the taxpayer is determined.

For example, it was established that the income of a citizen from cottage industry amounts to 2,400 rubles a year. In this case, the average monthly income is equal to 200 rubles. According to the rate scales established for the tax deduction from the wages of workers and employees, the tax on 200 rubles comes to 21.20 rubles. Consequently, the annual tax sum which the citizen must pay amounts to $21.20 \times 12 = 254.40$ rubles.

If the income of a citizen is greater, then the legislation stipulates an increase in the progression of taxation. In contrast to the system that existed previously, the new legislation calls for a smoother tax progression. This is apparent from the following table:

Table 1. New Tax Rate Structure

<u>Size of Annual Income</u>	<u>Tax Amount</u>
3,001 to 4,000 rubles	332.40 rubles + 20% of the sum exceeding 3,000 rubles
4,001 to 5,000 rubles	532.40 rubles + 30% of the sum exceeding 4,000 rubles
5,001 to 6,000 rubles	832.40 rubles + 50% of the sum exceeding 5,000 rubles
6,001 rubles and more	1,332.40 rubles + 65% of the sum exceeding 6,000 rubles

In other words, if there is an income, for example, of 4,500 rubles, the tax amounts to 15.2 percent, for an income of 5,500 rubles--19.7 percent, for an income of 8,000 rubles--32.9 percent, etc. Thus, the tax scale increases in proportion to the increase in income. This corresponds to the requirements contained in the USSR Law "On Individual Labor Activity."

Still another important change in the tax legislation that became effective on 1 May 1987 consists in the fact that now, for all types of individual labor activity, the income from which is subject to taxation in accordance with the above-cited rates, a single size minimum that is not taxed has been established. Hence, if the income of a citizen does not exceed on the average per month the existing minimum of the wage of workers and employees that is not taxed (at present, this minimum, as is well known, amounts to 70 rubles), this citizen is not involved in a tax assessment. The new consists here in the following.

First of all, this procedure applies not only to citizens who are engaged in cottage industry trades and consumer services (for them an untaxed annual minimum in the amount of 840 rubles existed previously as well), but also for citizens who are engaged in individual labor activity in the sphere of folk art trades and in the social and cultural sphere (for these citizens the untaxed minimum of incomes previously was equal to 300 rubles a year). Secondly, previously a citizen who had received, during 2-3 months, an income in the amount of 800 rubles and during this year had stopped the pursuit of his trade, was freed from the payment of taxes and found himself in more advantageous conditions than another citizen, who carried out such pursuits the whole year and received income in the amount, for example, of 900 rubles. In this case, the average monthly income of the first citizen came to 400 rubles (without payment of a tax), but of the second--only 75 rubles (with payment of the tax). It is obvious that such a method of applying the minimum being untaxed did not correspond to the principles of social justice and therefore it was changed. Now, as has already been said, the freeing from the tax is effected only if the income is less than the minimum not being taxed on the average per month, irrespective of how many months a year a person was engaged in individual labor activity.

The USSR Law "On Individual Labor Activity" established that the state encourages citizens to enter cooperatives, which are a more progressive form of the organized participation of persons in the time during which they are free from their basic work in production output and the provision of services by comparison with the forms of work characteristic of individual activity. The new tax legislation takes this into account. It was determined that members of the cooperatives being created, for all incomes received as the result of work in these cooperatives, are subject to taxation on the same bases as workers and employees. This means that, if the work in the cooperative is the basic work for a citizen (for example, when its member is a pensioner, student or housewife), then the income tax rates existing for the taxation of wages are applied to the income received for work in the cooperative, as well as the minimum of wages not being taxed and the benefits for dependents. If a citizen works in a cooperative on the basis of a second occupation (i. e., when the basic place of his work is located in another enterprise, institution or organization), then the rate of taxation established for wages from multiple work is used. The untaxed minimum and the benefits for dependents do not apply in this case.

The new tax legislation is stimulating the pursuit of amateur art. It was established that on the incomes of citizens, who are not members of the creative unions and sell original works of painting, sculpture, drawing, and other types of art, as well as articles of decorative-applied art, through exhibition and sale, by specially established state, cooperative, and other public organizations, the tax is levied in accordance with the same rates which are applied in

the taxation of the amounts of royalties of members of the creative unions, who use their works on the territory of the USSR. The amount of the tax in these cases does not exceed 13 percent. This measure makes it possible to secure the interest of citizens in the creation of works of art, which meet high demands with respect to the quality of their execution. At the same time, it gives amateur artists the possibility of selling their works and articles on the principles of higher organization. When such works are sold in another way (directly to the population on markets and in other places) the tax will be calculated by the financial organs and levied in those dimensions as in the case of the sale of cottage-craft products.

Some of the previously existing tax advantages have not only been preserved, but also significantly expanded in the new legislation. Thus, previously in the rural locality the men of 60 years of age and older, and the women--55 years old and older, whose farms were freed from the payment of the agriculture tax, were freed from the income tax taxation basically only in regard to income from cottage-craft trades. Now they will be freed from income taxes on incomes from any type of individual labor activity. In precisely the same way, citizens who live constantly in the regions of the Extreme North and in localities equated to them, were previously freed from the payment of income tax only with respect to income from hunting and cottage-craft trades. Now this advantage is expanded to all income from the pursuit of individual labor activity of any type.

There has been a significant change in the procedures for the determination, by the financial organs, of the approximate annual income of citizens that is subject to taxation. Previously, some financial organs, not having received an income declaration from the taxpayers, independently, by analogy with other taxpayers or in another way, determined the approximate income of citizens by the end of the year in order to calculate the advance tax payments. At times this led to the fact that the income increased without justification and some persons were forced to stop their pursuit of this or that trade because of the tax presented for payment, which did not correspond to the income being received.

Now it has been determined by the legislation that citizens, who set about the pursuits of individual labor activity or who receive other incomes outside the sphere of public production, are obligated to determine and to show in declarations that are submitted to the financial organs what sums of income they propose to receive by the end of the current year, and when it is completed to report in declarations what their actual income proved to be in the past year.

For the compilation of the income declarations, citizens are obliged, in accordance with the USSR Law "On Individual Labor Activity", to keep special record books of the income being received, as well as of the expenditures connected with the given form of activity. Such books must be tied together and authenticated with the stamp of the local financial organ.

In connection with this, it is very important to keep in mind that not all expenditures are taken into account in taxation. Thus, the following are not taken into consideration: Expenditures for the personal needs of the taxpayer and his family (for example, for the repair, maintenance and rent of an apartment) and for other purposes not connected with individual labor activity; for the acquisition, maintenance and repair of structures, as well as for the acquisition and and capital repair of inventory; for various types of travel; for the payment of taxes and dues, tax installments, insurance and penalty payments.

At the same time, the expenditures for the acquisition of raw material and materials (at prices not exceeding the state retail prices), the current repair of inventory, and the amounts of commission deductions if the articles are sold through commission stores.

As before, the financial organs retain the right to conduct investigations and audits of citizens to clarify the incomes being received. The legislation emphasizes that citizens are obliged to freely admit officials of the financial organs into their apartments or other premises, where the activity is carried out, the incomes from which are subject to taxation.

In conformity with the legislation, persons, who have not submitted income declarations or who deliberately understate in the declarations the amounts of the incomes received, are subject to administrative, and in appropriate cases criminal proceedings. Moreover, we must keep in mind that the obligations of citizens in regard to the submission of income declarations to the financial organs are more precisely determined in the new legislation about income tax. It has been established that, when a source of income arises in the course of a year, citizens submit a declaration within a 5-day period after expiration of a month from the day of the beginning of the source of income. In it they indicate the amount of the actual income for the first month of the activity and the amount of the presumable income before the end of the current year. The declarations of taxpayers of the income actually received during the year are submitted by 15 January of the following year. When the source of income ceases to exist, the declaration is submitted within a 5-day period from the day of cessation.

In conformity with the procedure introduced on 1 May of this year, the relations of citizens with the budget are effected in two forms--by means of the payment of the income tax or in the form of payment for licenses for the pursuit of individual labor activity.

To obtain the right to pursue this or that type of activity, citizens, first of all, must receive permission of the executive committee of the Soviet of People's Deputies at the place of their permanent residence or the arts council under the ispolkom or the appropriate enterprise, institution, or organization. These organs, having taken the decision to permit citizens one or another individual labor activity, forward that decision to the financial department (administration). On the basis of this, the rayon or city financial department issues a registered certificate or license to the citizens. Precisely these documents are then kept by the citizens and serve as proof that they are engaging in individual labor activity on legal foundations.

Persons who have received the registered certifications pay income tax, and those who have received licenses are freed from the payment of a tax, since they are making a payment in advance for the licences in dimensions established by the Council of Ministers of the union republic.

Often the question arises: What is the difference between a tax and a payment for licences? Here the following must be kept in mind:

The state, as is well known, not only regulates individual labor activity from the standpoint of the lawfulness of the pursuits, the conformity of the actual activity with the permitted activity, and the legality of the receipt of raw

material and materials, the observance of sanitation, fire prevention, and other requirements, but also controls the incomes being received in the process of such activity. This last function has been entrusted to the financial organs, which calculate the income tax and control the completeness and punctuality of its payment.

However, there are some types of activity, in which it is difficult to exert control over the receipt of income from these pursuits, for example, if the activity of the citizen is connected with travels or in some cases (the transport of passengers in private motor transport, the photography trade, the breeding of aquarium fish, etc.). Taking this into account, the Councils of Ministers of the union republics determined an enumeration of types of individual labor activity, for the pursuit of which, instead of registered certificates, licenses must be issued, and also established the amounts of the annual payment for licenses.

In the determination of the payment for licenses, which, unlike a tax, is not related to the amount of income of a concrete citizen, but is an average magnitude for the union republic or a more narrow administrative region, both the average annual incomes of persons who are considered in the financial organs for the purposes of taxation, and the average annual wages of those who are engaged in analogous labor in the sphere of public production. On the basis of these data and with regard to the income tax rates, the dimensions of the annual payment for licenses are determined.

It goes without saying, in every union republic the level of the income of citizens has developed differently, therefore the dimensions of the payment of licenses for analogous types of activity at times differ significantly. Thus, the payment for a license to transport passengers in personal motor transport in the RSFSR was established in the amount of 560 rubles, but in the Kazakh SSR--450 rubles. The payment for a license for the pursuit of photography and other photo work in accordance with the orders of citizens in the Kirghiz SSR was set at the amount of 140 rubles for the city of Frunze, for the oblast centers--100 rubles, and for the rayons and cities of republic subordination--110 rubles.

The payment for a license is made prior to the acquisition of the license form. For this reason, persons who have paid for their license subsequently do not have to keep an account book of their income and expenditures and correspondingly are freed from the submission of income declarations to the financial organs. At the same time, the state reserves the right to control the observance of the other rules for engagement in individual labor activity by those working on the basis of licenses.

The entry of a payment for a license into the budget is effected in the same procedure as of the amounts of income tax. This must be taken into account when savings banks and bank institutions receive the appropriate amounts from citizens paying for their license.

Not all citizens make payments for a license. The legislation stipulates that the following are freed from them: Heroes of the Soviet Union, persons decorated with the Order of Glory of three degrees, the invalids of the Great Patriotic War, or other invalids among those who were servicemen and who became invalids as

the result of injuries, contusion or mutilation, received in the defense of the USSR or in the execution of other duties of military service, or as a consequence of illness connected with being at the front, invalids among former partisans, as well as other invalids equated, in terms of pension security to the indicated categories of servicemen, invalids among the officers and the rank and file of the organs of internal affairs, who became invalids as the result of injuries, contusions or mutilation received in the execution of their official duties.

The participants of the Civil War and the Great Patriotic War and other military operations for the defense of the USSR among the servicemen, who have gone through service in military units, staffs and institutions, which go to make up the active army, and former partisans make a payment for a license in an amount half as large.

For the receipt of a registered certificate or license, citizens pay the state a duty in the amount of 5 rubles. In so doing, it must be kept in mind that citizens who are members of farms that are subject to taxation with the agricultural tax do not pay a duty for the receipt of a registered certificate. This advantage does not apply in the case of the receipt of a license by the indicated persons.

In the course of May-June 1987, the financial organs were obligated: To issue to all citizens, who prior to 1 May engaged in individual labor activity in accordance with registered certificates, and then received permission to continue this activity, new certificates in place of the old. In so doing, it is permitted not to levy a second state duty for the receipt of the new certificate. About this, a special entry is made on the certification form, certified with the signature of the administrator of the financial organ and a stamp. Also secured must be the issue of registration certificates or licenses to those who receive permission to set about pursuits of individual labor activity for the first time, the recalculation of the amounts of the income tax advance for those who will continue an activity begun earlier, and the crediting of the advance income tax for the new taxpayers.

The changes in the tax legislation, and in particular the significant decrease of the scales of the income tax, without question will exert a positive influence on the engagement of citizens in socially useful labor and at the same time play a definite role in supplementing the family budgets of the population.

However, what has been done should not be regarded as a once-only campaign. The law on individual labor activity is an act of long-term effectiveness, which obligates all the organizations involved in its realization to improve their activity, to analyze the experience that has been accumulated, to work out proposals for the further development of individual labor activity with regard to the necessity of combining the interests of society as a whole with those of individual citizens.

This concerns not only the financial organs, which must to a greater extent enter into direct relations with the population, but also the organizations of industry, trade, consumer services, supply, the organs of justice and law enforcement, and, of course, the executive committees of the Soviets of People's Deputies at all levels.

The financial organs must seriously improve the organization of their work with the population. The time that has passed from the day of the adoption of the USSR Law "On Individual Labor Activity" to its entry into force has shown that by far not everywhere have they begun with the preparatory work equally responsibly.

As is well known, there exist three basic stages of tax work: The exposure of the taxpayers, the calculation of tax payments, and the control of the payment. But this is only a scheme, for in every one of these stages the financial organs solve difficult tasks.

The shortcomings in the work with respect to the exposure of taxpayers are explained by a number of reasons. First of all, the circumstance that lately the financial organs, as it were, have become estranged from the population attracts attention. There has been a decrease in the number of investigations of citizens at the place of their residence and the sources of incomes; the interview with the population on points especially established during the tax calculation has become widely disseminated. The explanatory work among the population in regard to the tax legislation has acquired a rather formal character, although more measures have begun to be carried out. At times questions are cleared up that concern at once all and do not take into account the specific nature of the life and work of concrete citizens, many special problems are not explained that are connected with the new forms and varieties of the production of goods and the offering of services, which have made their appearance recently.

In a number of financial organs, the level of the training of cadres is not high enough. In particular, this concerns legal training, the knowledge of the laws, and the ability to apply them in practical work. The issue is the knowledge, not only of tax legislation, but also the related spheres of law--administrative, criminal, family, land, and housing law, etc.

To date cases are encountered where, because of poor training of some tax workers the audits of citizens, which require high standards of interaction with the population, are carried out unprofessionally and with insufficient skill. This gives rise to the shortcomings which one can frequently find reported in the press. Because of such derelictions in work, a part of the public judges some financial organs as institutions which hinder the introduction of these or those new laws and regulations.

Indeed, how otherwise can one assess the following facts. On the eve of the entry into force of the Law on Individual Labor Activity, the Kuybyshev Rayon Financial Department of Moscow could not clearly explain to a citizen the procedure for opening a cooperative cafe. The Nizhnekamsk City Financial Department of the Tatar ASSR was not able to explain the procedure for the taxation of pensioners, who would like to engage in a trade of one sort or another. The Kaluga Oblast Financial Department could not help a citizen to investigate in what manner he could carry out transport on personal motor transport. This indicates that the legislation, instructions and recommendations, which were transmitted to the financial organs, have not been thoroughly studied everywhere.

Shortcomings in the organization of tax work are also encountered in other sectors. The Suvorovo Rayon Financial Department of the Moldavian SSR illegally freed three farms from the agricultural tax that belonged to citizens who did

not have the right to this, and at the same time did not grant the prescribed advantages to four specialists in agriculture. The Kubinskiy Rayon Financial Department of the Azerbaijan SSR did not grant an advantage in terms of the agricultural tax to the chief of a repair shop of a sovkhoz, who had the education of a mechanical engineer. The Termez City Financial Department did not grant an advantage in terms of local taxes to four families of servicemen, but in two cases the advantage was given without any foundations.

G. N. Borisov, a resident of the city of Aleksandrov of Vladimir Oblast, an invalid of the war, the owner of a "Zaporozhets", unable to obtain an answer in the local financial organ, turned to the newspaper IZVESTIYA with the request to explain whether he has the right to a tax advantage for owners of means of transportation. The newspaper asked the Vladimir Oblast financial administration to investigate and answer the citizen. Without having examined the Law, the oblast financial administration answered G. N. Borisov with a refusal, having cited the fact that he has a car with manual control. The declarant again wrote to the newspaper. The financial organs had to apologize, having acknowledged the legal illiteracy of their workers. But, you see, this cost the citizen nervous tension.

Today, after the entry into force of the Law on Individual Labor Activity, it is necessary to concentrate attention on the reorganization of the tax work of the financial organs. Above all, it is necessary to see to it that the practice of increasing the qualifications of the tax apparatus be reexamined everywhere. The training must be effective. It is necessary for all the inspectors and executives of the financial organs to know the tax legislation thoroughly and in detail. It is particularly necessary to think through the measures with respect to the training of young workers.

It is necessary to search also for new forms of explanatory work with the population. Its purpose lies in carrying the content of laws, rights and obligations in regard to taxes to the concrete person.

The work of the financial organs must be organized with the close cooperation of the commissions of the Soviets of People's Deputies, which review the declarations of citizens in regard to questions of individual labor activity.

The Law on Individual Labor Activity has entered into force. The new legislation on taxes has begun to operate. For this reason it is necessary that these question should become a subject of constant concern in every Soviet of People's Deputies. It is important for the ispolkoms of the Soviets of People's Deputies to constantly keep in view the organization of the work of the financial organs for taxes, for them to hear the reports of their executives, and for them to outline ways of improving this activity.

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VOLKOV STATEMENT TO AVIATION WORKERS ON AIR FLEET DAY

18290205a Moscow VOZDUSHNIY TRANSPORT in Russian 15 Aug 87 p 1

[Air Fleet Day greetings to aviation workers signed by A. Volkov, USSR minister of civil aviation; V. Kolchanov, chief of the Political Administration of Civil Aviation; and A. Gridin, chairman of the presidium of the Aviation Workers Trade Union Central Committee: "New Successes"]

[Text] On behalf of the ministry collegium, the Political Administration of Civil Aviation, and the presidium of the Aviation Workers Trade Union Central Committee, we extend warm and heartfelt congratulations to the pilots and navigators, engineers and technicians, workers and employees, and veterans of Aeroflot on the national holiday--Air Fleet Day of the USSR!

The workers of civil aviation are marking this day in an atmosphere of intensive labor to implement the decisions of the party's 27th congress and the January and June (1987) plenums of the CPSU Central Committee, to restructure and increase the efficiency and quality of work, and to greet the 70th anniversary of Great October in a worthy manner. The sector has successfully met the planned targets for 7 months of the current year.

We express our firm conviction that Aeroflot workers, in close collaboration with the Air Forces of the USSR, workers in the aviation industry, and DOSAAF sport aviators, will multiply the achievements of Great October and struggle for the strengthening of peace throughout the world by their selfless labor and active participation in the country's revolutionary reorganization.

Dear comrades, we wish you good health, much personal happiness, and new labor successes for the welfare of our socialist Motherland.

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VOLKOV INTERVIEWED ON AIR FLEET DAY

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[Interview with USSR Minister of Civil Aviation A. N. Volkov by TASS correspondent V. Khrustov on the occasion of Air Fleet Day: "From Positions of High Exactingness"; first paragraph is editorial introduction]

[Text] Air Fleet Day of the USSR is being observed in the country on 16 August. USSR Minister of Civil Aviation A. N. Volkov answers questions from TASS correspondent V. Khrustov concerning the successes with which civil aviators are welcoming their professional holiday and the kinds of problems they have to resolve this year and in the 12th Five-Year Plan.

[Question] Aleksandr Nikitovich, it is customary to sum up on the eve of the holiday...

[Answer] And the country's civil aviation workers are doing this, in order to comprehend the path that has been followed and to look self-critically at what has been achieved. We are evaluating what has been done much more exactly today than ever before, taking into account the requirements of the party's 27th congress and the January and June plenums of the CPSU Central Committee.

In speaking of the results of 7 months, we should note that fulfillment of the state plan is proceeding smoothly. Certain quantity and quality indicators of the sector's work, chiefly more efficient use of aviation equipment, reduction of the relative consumption of fuel, and increased labor productivity, have been improved. During this period, we flew more than 67 million passengers and hundreds of thousands of tons of urgent national economic freight and mail and treated tens of millions of hectares of agricultural lands.

But it is premature to talk about achievements. Figuratively speaking, we need an altitude that has not been reached yet. Restructuring is still just being developed in the sector. Even its obvious reserves—discipline, good organization, the quality of training and flight performance—are far from being completely utilized.

[Question] Aeroflot is the largest airline in the world today. How was the Air Fleet of the Land of the Soviets begun?

[Answer] We are proud that Vladimir Ilich Lenin was there at the inception of our civil aviation: on 9 February 1923, the Soviet of Labor and Defense of the young republic approved at his initiative the decree "On charging the Main Administration of the Air Fleet with technical supervision of air routes and on organizing the Soviet for Civil Aviation." Glorious military pilots came from the fronts of the civil war to peaceful work in the sky: N. Ilzin, who was the first to begin air protection for the fields; K. Dedushchenko, commander of the first "Dobrolet" aircraft in Arkhangelsk; I. Voyedilo, who made the first flights abroad; and Ya. Moiseyev, who opened Aeroflot's first scheduled route from Moscow to Nizhniy Novgorod in the summer of 1923. This glorious galaxy also included pilots who were the first to be awarded the exalted title of Hero of the Soviet Union in 1934 for rescuing the Chelyuskin crew--M. Vodopyanov, I. Doronin, M. Slepnev, and others. Thanks in large measure to their efforts, courage, and professional skill, by the end of the 1930's the Civil Air Fleet of the USSR had become an important part of the country's unified transport system and had assumed leading positions in the world.

[Question] The torch of heroic feats continued to be carried during the Great Patriotic War. Many Aeroflot pilots remanned the fighters and ground attack aircraft and served as bomber and transport pilots...

[Answer] Civil pilots made a worthy contribution to our victory. They took part in all the major operations. By providing a link between the units and formations of the army in active service with partisan detachments, they delivered ammunition and arms and food and provisions and medicines, dropped paratroops in the enemy's rear area, and delivered bombing strikes against the enemy. During the war years, pilots of the Civil Air Fleet made more than 1.5 million operational flights, including 40,000 to the enemy's rear area, and carried 1.6 million persons and 30,000 tons of military cargo.

The Motherland valued their combat services highly: 15 of the best pilots were awarded the title of Hero of the Soviet Union, and more than 12,000 aviators were decorated with orders and medals.

[Question] Guided by the wide experience of the VVS [Air Forces] and Aeroflot's best pilots, workers in the sector mastered jet technology in a very short time.

[Answer] Yes, Aeroflot received the first Tu-104's in mid-May of 1956, and on 15 September the jet airliner flew the first passengers from Moscow to Irkutsk. In a month the Tu-104 was flying the international route from Moscow to Prague.

Today Aeroflot flies to 98 states in the world. The length of its air routes is in excess of 1 million kilometers. Workers in the sector are "armed" with comfortable airliners--and they are at the disposal of Aeroflot's passengers.

[Question] New aircraft will be added to the fleet in the near future just the same?

[Answer] Scientific and technical progress moves forward, and we have no right to lag behind. We need more economical, comfortable and reliable aircraft. We are waiting for them.

Workers in the sector are preparing for the arrival of the new aircraft. The economical Tu-204, designed for 214 passengers, will be flying on routes of medium distance, up to 3,500 kilometers. The 300-seat Il-96 has been earmarked for the long-distance mainlines.

Passengers on short routes will be flying in the 17-seat An-28, as well as the new Czechoslovak 40-seat L-610. Specialists of the OKB [Experimental Design Bureau] imeni S. V. Ilyushin are also working on the development of an aircraft for local routes. Their new aircraft--the Il-114--will be able to take off from dirt strips as well. The An-74, equipped with wheeled and ski landing gear and noted for its superior cross-country performance and significant range, will make its appearance in the Far North. The family of helicopters will also be replenished.

[Question] And the flight begins on the ground all the same...

[Answer] That's right. For this reason our objective is to ensure the efficient operation of all services in the sector, from the time the passenger purchases a ticket until he receives his baggage at the destination airport. We are devoting a great deal of attention, for example, to the development of an automated ticket sales system. "Sirena-2" is in operation in 180 cities in the country, and centers for it will soon appear in Simferopol, Krasnoyarsk, Alma-Ata, Tashkent and Tbilisi. The network of agencies tied into these centers will be expanded. It will make it possible to purchase a ticket 30 days before departure.

But automation of ticket sales is only a starting point in improving the quality of service, of course. We are still receiving a great deal of criticism. Reproaches to Aeroflot employees for their inattention and callousness are justified. Up to 600,000 persons make use of aircraft on individual flying days, and we are assigning Aeroflot services the task of ensuring that no passenger departs an airport offended or annoyed.

Today's practical efforts by the sector's collectives and their warm approval of the party's policy of restructuring attest to the striving to eliminate shortcomings. Problems of improving the organization of flights and passenger services are being resolved in close contact with associated departments and local party and soviet organs. The concern of all sides and an overall approach to resolution of the problems that have accumulated will ensure success. We see the path to success in our civil aviation in the absence of complacency by each Aeroflot employee, in the improvement of his work, and in critical assessment of what has been accomplished.

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